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## NEWS SUMMARY

### GENERAL

#### Europe in NATO defence pledge

NATO's 11 European members meeting in Brussels reaffirmed their commitment to "shoulder their share of the defence burden" following increased American military responsibilities outside Europe.

Several countries are, however, clearly worried at the extra financial cost of filling gaps left by U.S. units in traditional NATO areas.

The UK is thought to be studying plans for increasing war stocks and ammunition rather than stepping up troop reserves. **Back Page**

#### Libyan envoys to be withdrawn

Four Libyans are to be withdrawn from their country's London mission at the request of the British Government.

The move is aimed at safeguarding Libyan dissidents living in the UK. **Parliament, Page 12**

#### Iranian visas

Government has reimposed the requirement on Iranians to obtain visas before entering Britain.

#### Premier move

Iranian President Bani-Sadr met Ayatollah Khomeini's son to discuss the appointment of a provisional Prime Minister. **Page 4**

#### Uganda crisis

Ugandan military officers holding the national radio station said the country's political crisis would be debated in parliament and would not be resolved with guns. **Page 4**

#### Cabinet resigns

Egyptian Premier Mustapha Khalil submitted his Cabinet's resignation to allow President Sadat to form a new Government. **Page 4**

#### Cuba seeks talks

Cuban Government is seeking a meeting with Bahamian authorities following the bombing and sinking by Cuban aircraft of a Bahamas defence force ship. **Page 6**

#### Robinson refusal

Sacked BL convenor Derek Robinson was refused leave to claim unfair dismissal when he appeared at a Birmingham industrial tribunal. **Page 12**

#### Bank shooting

Police fired warning shots over the head of a robber after a Securicor guard was shot and wounded in a £7,000 bank raid at East Finchley, London.

#### Balloon record

First non-stop balloon flight across North America was completed by Mike Anderson and his son Kris. They reached Caspe peninsula, Quebec 99 hours and 54 minutes after leaving San Francisco.

#### Cat call

RSPCA in Nottingham is looking for the owner of an African parrot which seems attracted to cats. It does not squawk—it meows.

#### Briefly...

Forest fire threatening homes in North Wales was brought under control.

The Pope left Africa for Rome after a 10-day tour.

#### PUBLISHER'S NOTICE

The Financial Times apologises for errors contained in this issue which are due to difficulties in the reading department.

#### CHIEF PRICE CHANGES YESTERDAY

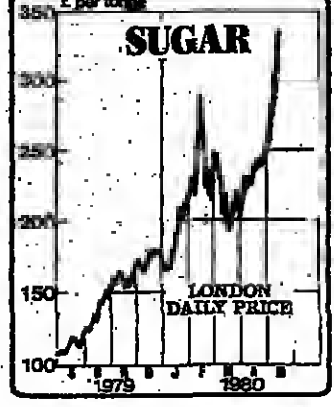
(Prices in pence unless otherwise indicated)

| RISES                       | FALLS                      |
|-----------------------------|----------------------------|
| Treas. Var. 1982-83 + 1     | Southeby 449 + 16          |
| Akroyd & Smithers 250 + 12  | Tate and Lyle 134 + 4      |
| Automated Sec. 239 + 9      | Tube Invs. 262 + 8         |
| BTR 373 + 7                 | Berkeley Expts. 108 + 31   |
| Black Arrow 341 + 6         | Carless, Capel 150 + 10    |
| British Sugar 20834 + 24    | Siebens (UK) 860 + 45      |
| Brook Group 30 + 5          | Tricentrol 366 + 16        |
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| Christy Bros. 30 + 7        | Malay Dredging 690 + 36    |
| Clifford's Dairies 195 + 63 | Selection Trust 665 + 20   |
| Dunlop 70rd + 5             | Berisford (S.W.) 140 - 9   |
| Home Cnts. News 85 + 5      | Bliton (P.) 305 - 13       |
| King and Shaxson 77 + 5     | Blue Circle 319 - 6        |
| News Int. 153 - 15          | Garnar Seabair 78 - 6      |
| Polly Puck 44 + 3           | Harris Queensway 186 - 7   |
| Prov. Laundries 491 + 31    | Kitchen Queen 11 - 2       |
| Robertson Foods 116 + 5     | NSS Newsagents 112 - 6     |
| Rush Tompkins 167rd + 113   | Pennine Commercial 41 - 11 |

### BUSINESS

#### Sugar up to 5-year high; \$ falls

SUGAR surged to a five-year high on the London futures market. It gained £23.575 tonne to £258.25, a rise of £83 on last month. **Page 35**



● DOLLAR lost ground, reflecting further falls in Euro-dollar and U.S. prime rates. It closed at DM 1.7915 (DM 1.8130) and its trade weighted index was 85.3 (86.1). **Page 30**

● STERLING improved against dollar, closing at \$2.2815 (\$2.2955), but lost ground against European currencies. Its trade weighted index fell to 72.9 (73.0). **Page 30**

● GOLD closed \$1 up in London at \$513.5. **Page 30**

● WALL STREET was up 0.09 at \$85.89 near the close. **Page 31**

● GILTS rose on the further expected cuts in U.S. prime rates. The Government Securities Index gained 0.07 to close at 67.54. **Page 36**

● EQUITIES were again depressed because of the bleak economic outlook and the FT 30 share index closed 2.3 down at 434.2. But intensified speculation pushed Oils up 9.33 to 724.96. **Page 36**

● EEC's European Commission warned member states that money for the agricultural fund could run out this autumn unless the Community's 1980 budget is finalised. **Page 3**

● TREASURY said the Government borrowing requirement was unusually low in April because of a sharp rise in tax receipts. **Page 9**

● GOVERNMENT is to reduce the period over which it makes public spending commitments from four years to three. **Page 10**

● COAL production may have to treble over the next 20 years to meet the world's growing demand for energy, a 16-nation report on the coal industry concludes. **Back Page**

● BURMAN OIL plans to double its capital expenditure to about \$60m this year and to expand its exploration and production activities in the North Sea. **Page 23**

● ROLLS-ROYCE and its U.S. rival Pratt and Whitney have signed a \$1.5bn (£660m) deal which covers the future development and production of the Pegasus vertical take-off engine used in the Harrier jumpjet. **Back Page**

● CHRYSLER announced the closure of two North American plants, with the loss of 2,500 jobs, as part of its U.S. Government-agreed rescue plan. **Back Page**

● HOUSE OF FRASER is strongly resisting attempts by its largest shareholder Lombar to force it to raise its proposed final dividend by 50 per cent. **Back Page and Lex**

● UNILEVER raised pre-tax profit 7 per cent from £129.4m to £138.2m in the first quarter of this year. Sales were 11 per cent up at £2.65bn. **Page 22; Lex, Back Page**

## Some trains likely to run despite TUC Action Day

BY ALAN PIKE, LABOUR CORRESPONDENT

RAIL SERVICES will be badly affected by tomorrow's TUC Day of Action protest against Government policies.

But at least some trains are likely to run. How many will in many ways determine the effectiveness of the entire demonstration.

Britain Rail said yesterday the results of its survey of employees were "sufficiently encouraging" for it to attempt to operate a service. But the outcome is less clear than the management would have liked, and union leaders were continuing to predict last night that comparatively few trains would run.

Britain Rail warned that the number of railwaymen reporting for duty could vary from shift to shift—meaning there can be no guarantee that services which operate tomorrow morning will run later in the day. Local services should operate normally until the close of today's operations, but there are unlikely to be sleeper services today or tomorrow.

Major disruption of transport services is essential to the organisers of the Day of Action if it is to involve large part of the people who would otherwise try to get to work. London Transport, which Britain Rail, try to maintain a Civil servants rebuff TUC Page 12 ● Editorial comment Page 20 French day of action Page 3

service. But it has no idea how many staff will stay away from work.

British Airways says it will attempt to operate a full service but will not know until tomorrow morning whether this will prove possible. "Like other transport undertakings we simply do not yet know how many of our staff will be involved in action," said a spokesman.

Foreign airlines would also be affected by large-scale action at major British airports. Dockers and seamen are also being urged to join the stoppage. The danger of being affected and intending passengers are being advised to check before setting off for ports.

In the major legal challenge which has arisen over the Day of Action, Express Newspapers announced yesterday it was not proposing to take any further court initiative at present over the "apparent refusal" of the National Society of Operative Printers, Graphical and Media Personnel to comply with a court order granted last week. This required leaders of four print unions to withdraw circulars urging members to take part in the Day of Action, but the NATSOPA executive has refused to do so.

Express Newspapers said it Continued on Back Page

## Australian group seeks \$1bn gas project credit

BY PETER MONTAGNON

WOODSIDE PETROLEUM, the Australian energy concern, is negotiating a \$1bn (£441m) credit from a group of international banks to finance its share of the North West Shelf gas project off Western Australia. It is believed to be the largest energy related credit ever to be assembled in the Euro market.

The company and its advisers, the merchant bank Morgan Grenfell, have been holding highly secret discussions with several international banks in recent weeks. These include Bank of Montreal, Banque Nationale de Paris, Barclays, Chase Manhattan, Citicorp, Industrial Bank of Japan and Morgan Guaranty.

## Berisford bid for British Sugar

BY JOHN MOORE

S. and W. Berisford, the UK's biggest sugar merchant, is mounting a £120.6m takeover bid for British Sugar Corporation, a major sugar producer. The bid is likely to be resisted.

The board of British Sugar is meeting this morning to consider its reaction. Under its share and cash bid, Berisford is offering three of its own shares and 383p in cash for every four British Sugar shares. Berisford's shares fell 9p to 140p in yesterday's trading on the London stockmarket, so its offer values each British Sugar share at 201p. British Sugar's shares rose 24p to 208p.

Berisford made its move after building up a 9.99 per cent stake in British Sugar in March. Its holding represents 5,994,000 shares. If British Sugar shareholders accept Berisford's offer, Berisford will have to issue 40.5m of its own shares and put

up £51.7m in cash to complete the deal.

Berisford said yesterday it believed a merger of its commercial expertise and the manufacturing capacity of British Sugar "will provide for the new group to a secure base from which to exploit new opportunities to the benefit of employees, shareholders and the agricultural community of the UK."

Berisford added yesterday that it had not discussed the latest offer with the British Sugar management. "We felt that British Sugar's management would not have found its way clear to make a recommended offer."

The Ministry of Agriculture holds a 18.87 per cent stake in British Sugar, and the Treasury 7.50 per cent stake. Prudential Assurance holds 5.98 per cent of British Sugar's equity.

will later be exported to Japan. Other companies with a share in the project are California Asiatic Oil, BP, Shell and Broken Hill Proprietary. The last two own 43 per cent of Woodside as well as their own separate stake in the venture which is held through North West Shelf Development Pty.

The project involves construction of an 85-mile pipeline from the field to a processing plant near the port of Dampier, Western Australia. The plant will produce 375m cubic feet of gas a day for Western Australia, 1.4m tonnes of condensate a year, 630,000 tonnes of liquefied petroleum gas a year and 6m tonnes of liquefied natural gas a year.

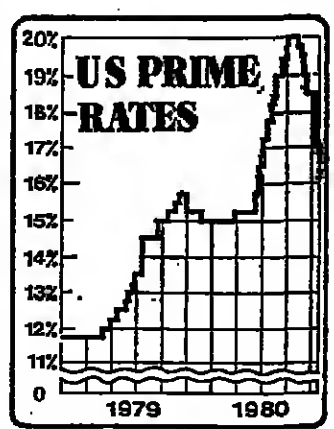
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## U.S. prime lending rates fall

By Ian Hargreaves in New York

U.S. PRIME LENDING rates tumbled further yesterday as several banks moved to 16 1/2 per cent and one smaller bank — Ameritrust of Cleveland — set its rate at 16 per cent.

With the majority of the big banks still holding their Prime Rate at 17 1/2 per cent, the spread of rates is again widening as banks respond differently to the recent sharp downward pressures on other short-term interest rates.

Morgan Guaranty led yesterday's move to 16 1/2 per cent but it was not joined immediately by other large New York banks. However, Continental Illinois in Chicago, the seventh largest bank in the U.S. quickly followed Morgan Guaranty's lead. In the credit markets, short-term rates showed little movement in early trading yesterday in spite of strong selling in the bond market.

Some bonds lost up to two points in value, as dealers lightened their holdings of last week's \$7.5bn Treasury auction of notes and bonds. Prices regained about half the lost ground by noon.

Federal funds, the key short-term interbank rate in the U.S., was in the 10.5 to 11 per cent range in the morning, with no sign of any intervention by the Federal Reserve Board.

The fresh fall in U.S. interest rates depressed the dollar yesterday, erasing most of the gains it made in Friday. It closed at DM 1.7915, well down from Friday's close of DM 1.8130, and at SwFr 1.6610 against SwFr 1.6905. The yen also improved, rising to ¥225.6 to the dollar from ¥231.75 on Friday, its highest level since mid-October.

Money Markets, Page 30

| \$ in New York |              |
|----------------|--------------|
|                | May 9        |
| 1 month        | 82.2700-2740 |
| 3 months       | 82.2700-2740 |
| 6 months       | 82.2700-2740 |
| 12 months      | 82.2700-2740 |

## Electricity prices go up another 10%

BY MARTIN DICKSON, ENERGY CORRESPONDENT

AREA ELECTRICITY boards yesterday announced plans for an unexpected 10 per cent price rise in August—on top of a 17 per cent increase in April.

The Government has also said that it is ordering the Monopolies Commission to investigate the efficiency and the costs of the Central Electricity Generating Board, which provides the area boards with their bulk electricity supplies.

The area boards in England and Wales said they were "considering" bringing forward by two months a round of price rises originally intended for October. The increases, averaging about 10 per cent, will be double the rise widely expected, although the boards had never committed themselves to a figure.

The Electricity Council, co-ordinating body for the areas, said rising fuel costs, which account for about half the industry's total costs, were the main cause of change of plan.

In the past financial year oil had doubled in price and coal prices had risen by 35 per cent. Capital charges also rose, while the industry had to keep within its Government-imposed financial target and borrowing limit.

Announcing the Monopolies investigation, Mrs. Sally Oppenheim, the Minister of State for Consumer Affairs, said the cost of the CEBG's bulk electricity supplies to the area boards was a very large element in the consumer's bill, which had risen substantially in recent years.

"It is important to establish that everything possible is being done by the CEBG to absorb costs and to increase efficiency in order to keep prices as low as possible," she said. The commission's terms of reference have yet to be announced.

This will be the third Government-backed investigation into aspects of the industry's prices within four years. The Price Commission, abolished by the present Government, looked at area board's price rises in 1979 and at features of the bulk supply tariff in 1977-78.

The new price increases will end the electricity industry's so-called "reducing the price advantage" currently enjoyed by the gas industry. Gas prices to domestic users also went up by 17 per cent in April and will go up by another 10 per cent in October.

Gas and electricity savings stamps, which help spread the cost of fuel for consumers billed quarterly, will be available in sub-post offices from June 2. **Parliament, Page 12**

## Bank gives reassurances on new liquidity controls

BY MICHAEL LAFFERTY AND DAVID MARSH

THE BANK OF ENGLAND yesterday gave British banks partial reassurance about the effects of its proposed regulations on bank liquidity. However, several bankers left a 24-hour meeting with the Bank of England still highly critical of the Bank's proposals to bring in closer controls on key aspects of their borrowing and lending.

The meeting between the Bank and the British Bankers' Association—representing the main British as well as foreign banks in London—was called to allow commercial bankers to air their grievances on the recommendations.

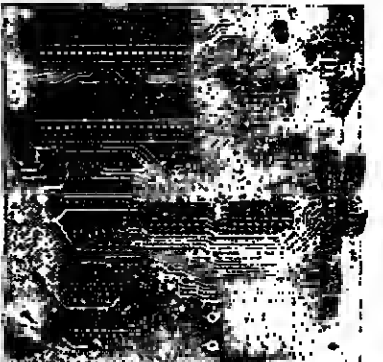
The proposals set down rules for the volume of liquidity that banks have to hold to match their deposits. Bankers say the scheme could raise the cost of credit, distort competition

and excessively penalise some forms of wholesale banking in London.

Mr. Peter Cooke, head of the Bank's supervision department, stressed that the liquidity proposals were intended only as a basis for discussion. He also said that the scheme could be used simply as a monitoring device rather than as a specific method of control. The proposals, drawn up in a consultative document published seven weeks ago, set down rules for the volume of liquidity that banks must hold to match their deposits.

The liquidity paper has attracted heavy criticism from all sections of the London banking community, even though it provides some sectors with relative advantages. Although Continued on Back Page

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## EUROPEAN NEWS

## Why Schmidt's landslide threatens his hold on power

BY ROGER BOYES IN BONN

"ALL ELECTIONS call for both Valium and champagne." That was the laconic comment of Herr Johannes Rau, the Social Democrat Premier of the West German state of North Rhine-Westphalia, after the initial flush of his party's landslide election victory at the weekend.

At first, champagne seemed more in order. The Social Democrats, canvassing on the record of Chancellor Helmut Schmidt as much as on that of Herr Rau, won 48.4 per cent of the vote and an absolute majority in the state parliament. The Opposition Christian Democrats lost almost 4 per cent and scraped up 43.2 per cent of the vote.

But the problem is that the Social Democrats' success was at the expense of their junior coalition partner, the Free Democrats, who won only 4.98 per cent of the vote and were thus pushed out of the state parliament altogether. Under German law, parties have to win 5 per cent of the vote to gain parliamentary representation.

If this trend were reflected in the October general election, the Chancellor could certainly be forgiven for reaching for the Valium bottle. Whether the Free Democrats end up just

above or below the 5 per cent hurdle, it still spells trouble for Herr Schmidt.

The Free Democrats' failure was partly the result of specific regional factors, and this may be something of a consolation for the Social Democrats. The party has been in considerable disarray, and last year was forced to oust its chairman, Herr Horst Ludwig Riemer. The new leadership, under Herr Burkhard Hirsch and Frau Liselotte Funke, has thus scarcely had a chance to establish a popular following.

The Free Democrats' only chance was to win votes away from disgruntled Social Democrats and Christian Democrats. But the unusually short election campaign—curtailed because of a mourning period for Herr Helmut Koeppler, the Christian Democrat leader who died in the run-up to the polls—clearly worked against the party.

The major cause of the Free Democrats' defeat—and the most disturbing element for the Social Democrats' election strategy—was the polarisation of the campaign. The voters were left in little doubt that the North Rhine-Westphalia elections were something of a model for the federal elections in October. They were given the effective choice of voting for the Chancellor, via a vote for Herr Rau, or for Herr Franz Josef Strauss, the Opposition contender for the chancellorship via



The Free Democratic Party of Herr Hans-Dietrich Genscher, left, failed to capture a seat in North Rhine-Westphalia. Herr Johannes Rau, right, the state Premier, now has an absolute majority in the state parliament.



a vote for Dr. Kurt Kiedenkopf. The Christian Democrat challenger. It was as simple as that: Schmidt or Strauss—and the voters settled for Schmidt.

The Free Democrats, meanwhile, had disappeared into the black hole between the two main party constellations. The Chancellor made four major appearances in the state during the campaign, Herr Strauss made almost a dozen. But Herr

Hans-Dietrich Genscher, the Free Democrat chairman, was hamstrung by his duties as Foreign Minister and had to limit his attendance at rallies.

There is a sense in which the Schmidt-Strauss confrontation—likely to become progressively sharper in the coming months—symbolises a trend in German politics towards a two-party system. The 5 per cent rule was designed to prevent the

plethora of small parties which made the post-World War I Weimar regime untenable. Sometimes it has been a benign law—for example, it prevented the neo-Nazi party from making significant gains during the 1960s. But it has also resulted in increasingly seeking out the two major parties. After the war only some 60 per cent of the votes cast went to the two major parties—but at the last election the Christian Democrat/Christian Social Union Alliance and the Social Democrats accounted for over 90 per cent of the votes cast.

The Free Democrats, although they have now recorded recorded losses in several state elections, clearly still have a role.

But what will happen if the Free Democrats are edged out in the general elections because of a strong pro-Schmidt vote. A preliminary breakdown of the North Rhine-Westphalia results show the Social Democrats were unmistakably the main beneficiaries from the Free Democrats' defeat.

Yet the Chancellor will face considerable internal party problems if the Free Democrats go under the 5 per cent barrier. Herr Schmidt can keep his influential left-wing in check now by stressing the need to maintain the Social Democrat/Free Democrat coalition. If the Chancellor seems a little laggardly on state subsidies and social reform, his supporters

argue, it is because the Free Democrats are holding him back.

But with an absolute majority in the federal parliament, Herr Schmidt's left-wing critics—and there are many, especially at the grass roots constituency associations—will be given free rein.

But the alternative—that the Free Democrats win just over 5 per cent—is scarcely more attractive to the Chancellor. If the Christian Democrats lose the election, it is assumed that they will drop the pilot, Herr Strauss. As far as the Free Democrats are concerned, this would clear the major obstacle to a coalition with the Christian Democrats. Already, many of the Free Democrats' economic policies would fit easily enough into the Christian Democratic Party manifesto—an end to state subsidies, an attack on excessive public spending, large tax cuts.

If Herr Schmidt comes under siege from the left, this may come to seem the lesser of two evils for the Free Democrats. The Chancellor thus faces a situation in which it may be preferable to advise some of his Social Democrat supporters to vote for the Free Democrats, if only to retain the internal balance of power and to prevent a radical realignment of parties. One thing is for sure, though—the Free Democrats will stay at the side of the Chancellor at least until the elections in October.

## Terrorism accusation clouds Italian local polls campaign

BY PAUL BETTS IN ROME

THE START of Italy's regional election campaign has been clouded by a personal tragedy affecting Sig. Carlo Donat Cattin, the deputy secretary of the Christian Democratic party, and one of the country's most outspoken and influential politicians.

His political career is threatened by the claim that his 30-year-old son Marco is a member of the extreme left-wing terrorist group, "Prima Linea" or "Front Line." This is one of the most active subversive movements in Italy after the "Red Brigades."

A warrant has been issued for Marco's arrest on a charge of being a member of an illegal armed band and suspicion of taking part in terrorist activities.

Sig. Donat Cattin, a former Industry Minister, says he has not seen his son for two years, but, on learning of the charges, offered to resign his party post. The offer has been rejected. The charges against his son are reported to result from disclosures by jailed terrorists who appear to have made important confessions which have led to widespread arrests of suspected Red Brigades and Prima Linea members.

Although all the main political parties have said the Cattin affair should not become an election issue, it is never the less having repercussions on the campaign.

The June 8 elections are regarded generally as the first serious test for the new centre-left government of Sig. Francesco Cossiga. In many respects, they are a replay of last summer's inconclusive general election. The Christian Democrats hope to see the Communists lose votes in important cities like Naples, Rome, Milan and Turin which came under



Sig. Donat Cattin: police seeking his son.

left-wing administrations after spectacular Communist gains in the last regional elections in 1975.

These left-wing administrations have been criticised increasingly for failing to resolve the big cities' growing problems, and the Christian Democrats and smaller lay parties have been confident up to now of winning votes from the Communists on June 8.

Sig. Donat Cattin, in fact, has been one of the fiercest critics of the Communist party's record in regional government. He has also accused them of financial irregularities for political patronage purposes in many regional administrations under their control.

Sig. Giancarlo Pajetta, the veteran Communist leader, Sig. Donat Cattin's son in a referred to the charges against radio broadcast at the weekend, remarking: "They have sought terrorists among the grandchildren of Marx but they now find one among the children of Donat Cattin."

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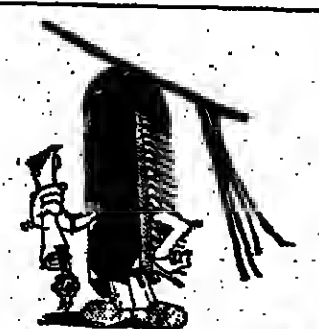
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## EUROPEAN NEWS

### Brussels says farm cash may run out in autumn

BY JOHN WYLES IN BRUSSELS

AFTER NEARLY five months without a properly constructed budget, the European Commission has warned EEC member states that a financial crunch is looming and that it may not be able to fund farm spending beyond September or October.

The warning is unlikely to come as a great surprise to either the Council of Ministers or the European Parliament with which budgetary authority is shared.

Without a budget endorsed by Parliament, the Community has been forced to spend no more than it did last year and, since agriculture expenditure is running 14 per cent ahead of the January-May rate for 1979, the money is bound to run out before the end of the year.

However, now that the financial shoe is clearly pinching, the absence of a budget becomes another important political

pressure forcing the Community towards a settlement of its two other crises—the UK's budget settlement for 1980.

Parliament of a farm price payments and a farm price 1980 budget would follow naturally from a resolution of the other two problems since both will have an important impact on the pattern of Community spending this year and any budget proposal which does not take account of this would be meaningless.

Since Parliament rejected a draft budget last December the Community has managed remarkably well under the so-called one twelfth regime. This involves limits monthly spending in each sector to a twelfth of the previous year's total.

But the Commission has obtained some flexibility from the Council and Parliament

which has enabled it to borrow forward in order to satisfy the irregular patterns of agricultural spending which cannot be neatly accommodated under a one twelfth regime.

The 14 per cent rate of increase in farm expenditure, however, has meant that the Commission has been advancing 1bn European units of account (€10m) a month to member states to cover their agricultural market maintenance. This is 164m ECU (€100m) more per month than the one twelfth system permits, and the Commission is now seeking another 886.6m ECU (€571m) to cover anticipated farm spending requirements up to the end of August.

It is also seeking approval to transfer money available in one "chapter," for example cereal markets, into another, notably fruit and vegetables.

### French 'day of action' will hit services

By Terry Dodsworth in Paris

WIDESPREAD disruptions are expected in the French public services today, because of a day of action called by three of the country's main unions.

The protest against proposed changes in the Social Security system, will hit mail, electricity and train services, and the ports. Most newspapers will be closed for the day, and teachers will hold meetings in school hours.

The union action follows measures by the Government to prevent company-backed insurance schemes giving a full cover for Social Security payments.

After the rapid growth in the cost of the Health Service in recent years, the Government is backing a scheme which would force individuals to pay between 5 and 12 per cent of some treatment costs themselves, even when they are covered by insurance.

This, it is argued, should reduce Government expenditure, as well as cut the costs of the insurance schemes, putting them more within the reach of lower-income workers.

The unions are also objecting to proposals for a new system of paying doctors, which, they say, may create one Health Service for the rich and another for the poor.

By bringing together France's two biggest unions—the Communist CGT and the left-wing CFDT—along with the FEN, the teachers' union, the day of action will to some extent repair the divisions which led to completely separate demonstrations on May 1.

The two bigger organisations are still, however, only giving an appearance of unity. The CGT is to hold its own march in Paris. The CFDT, while refusing to support this, has decided not to organise a rival demonstration.

### Norway set for payments surplus

BY FAY GJESTER IN OSLO

HIGHER PRICES for oil and gas exports are set to convert Norway's expected payments deficit this year into a record surplus. There will be a budget surplus, too, rather than a deficit thanks to increased state revenues from oil activities.

This is disclosed in revised government economic forecasts published at the weekend.

An important result of the changed situation is that the Government, and Norges Kommunalbank, the state municipal bank, can suspend plans to borrow abroad this year. The abrupt decision is described by bankers here as unprecedented.

The state had been expected to raise several billion kroner on foreign markets this year.

The Finance Ministry says the move marks the first step towards securing Norwegian freedom of action in foreign economic policy as a result of its rising oil income.

The revised national budget forecasts show clearly the role now played by oil and gas in Norway's economy. The first forecasts, published in October, forecast a Nkr 12bn (€1.07bn) trade surplus offset by a Nkr 13.5bn (€1.25bn) deficit on the balance of interest and contributions, reflecting the cost of servicing Norway's large foreign debt.

The surplus on the balance of goods and services is now expected to reach about Nkr 30.5bn (€1.83bn), mainly because income from oil and gas exports, including pipeline transport, is expected to total Nkr 45bn. This compares with the earlier estimate of Nkr 34bn and will more than offset less favourable developments, such as exports of other goods rising less than foreseen and higher imports.

Overall, the payments balance this year is now expected to be at least Nkr 7.3bn in surplus, even allowing for possible interruptions in petroleum production. If the oil and gas flows without a break the surplus could reach Nkr 12bn.

The national budget, previously forecast to show a deficit before loan transactions, of Nkr 4.2bn, is now expected to be Nkr 4.51bn in surplus. In its comments on its revised estimates, the Government warns that higher oil earnings must not be spent on raising living standards. A consumer spending spree, when labour is already scarce, would simply push up costs and make Norway's industry less competitive abroad, it says.

Keeping prices under control will be difficult anyway, this year, despite the relatively moderate pay deal concluded recently between unions and employers, because import prices are rising more rapidly than foreseen. In the year to mid-April the consumer price index rose by 9 per cent.

Money and credit policy will continue to be tight, the Government says. The banks' lending quotas for 1980 are being increased only slightly. Moreover, the Government has decided not to let domestic interest rates in future be determined by market forces.

Mr. Ulf Sand, the Finance Minister, said the Government would continue to issue guidelines on interest rate levels to the banks and insurance companies. The new system, however, would be more flexible than the old "understanding" between the Government and the financial institutions which kept interest rates artificially low. This system was relaxed in 1977 to encourage savings and curb credit-financed consumption.

The Norwegian Commercial Banks' Association has deplored the Government's decision to continue regulating interest levels. It claims also that the banks will be unable to provide finance for new housing on the scale foreseen by the Government within the lending limits set by the revised national budget.

### Fish accord with Iceland

BY OUR OSLO CORRESPONDENT

NORWAY and Iceland have reached agreement in the dispute over Norwegian claims to a 200-mile economic zone around Jan Mayen Island. A draft pact, involving substantial concessions to Iceland, has been concluded after three days of bargaining between Ministers of the two countries. It is expected to be ratified by both Parliaments.

Jan Mayen, which belongs to Norway, and Iceland are less than 400 miles apart, and the deal will give Iceland control of the "grey zone" where the two economic zones overlap. Also, between 1980 and 1983, Norway will receive only 15 per cent of the allowable catch of capelin in the Jan Mayen economic zone. Capelin, a small fish used mainly to make oil and meal, is the main fish resource in these waters.

The deal is being justified here on two grounds: the exceptional importance of fisheries to Iceland's economy, and the need to maintain unity within the NATO

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### Spanish editor in court again

By Robert Graham in Madrid

THE EDITOR of Spain's leading liberal daily, El Pais, is due to appear in court today to answer charges of insulting the police in an article on alleged mistreatment of a terrorist suspect.

Last week Sr. Juan Luis Cebrian was sentenced to three months' imprisonment and fined Pta 50,000 (€310) for contempt after publishing an editorial strongly attacking the judiciary.

His prosecution is quickly becoming an embarrassment for the Government. The actions brought against him have resulted from moves by the Attorney-General, so identifying the Government with attempts to muzzle the Press.

Last week's sentence related to an editorial of April, 1978, entitled "Press and Democracy." The Attorney-General appealed against a lower court decision and changed the charge from disrespect to contempt of judicial authority.

Over the weekend the opposition contrasted this sentence with that handed down last week by a court martial to two army officers found guilty of plotting against the state.

The officers were allowed to retain their ranks and were given seven and six months' imprisonment, respectively, for contemplating the seizure of the Cabinet and demanding a Government of national reconciliation.

Those who have rallied to support Sr. Cebrian include a wide cross section of politicians, journalists and academics.

El Pais itself, in comment after the sentence, has underlined the linkage between the Attorney-General and the government of Sr. Adolfo Suarez.

Since the paper was founded in 1976 four of the five legal actions against Sr. Cebrian have been brought by the Attorney-General.

Sr. Cebrian says he intends to remain as editor and believes that the Attorney-General will build the prison sentence in abeyance. But, if he is found guilty of the smallest offence—even unrelated to journalism—he could be disqualified from being a journalist.

There has been a notable increase in cases restricting freedom of expression and Sr. Cebrian said he believes this is a change of policy adopting a tougher line by the authorities.

Sr. Rafael Calvo Ortega, a former Labour Minister, has been unanimously elected Secretary-General of Spain's ruling Union de Centro Democratico party. The move results from the ministerial reshuffle ten days ago.

### Russians intransigent over Afghanistan

BY DAVID SATTER IN MOSCOW

DESPITE SIGNALS in the Press that the Soviet Union is ready for a frank and honest dialogue "to help resolve the crisis in U.S.-Soviet relations," there appeared to be no reason yesterday to believe that progress is possible under existing circumstances.

With yesterday's opening of the North Atlantic Treaty Organisation's ministerial meeting in Brussels, and the first high-level U.S.-Soviet meeting since the invasion of Afghanistan set to take place in Vienna on Friday, it was expected that a statement of East-West positions might be imminent.

The Soviet call on Sunday in the Communist Party newspaper Pravda for an end to "demagogic methods" and a "sober" attempt to improve relations did not represent a step forward because, in repeating the Soviet version of events in Afghanistan, Pravda made it clear that there is nothing yet to discuss.

Pravda said "timely Soviet help" to Afghanistan prevented the country from becoming a "military bridgehead" for U.S. imperialism, and said that President Jimmy Carter, instead of changing its behaviour, should say when the U.S. would cease its undeclared war "on the Afghan people and the lawful

government of Afghanistan." The war in Afghanistan is reported to be going badly for the Russians, both militarily and politically, with increasing casualties and signs that the Russians are having no success in building a local base.

Their insistence that the Afghan Muslim rebellion is "outside interference," against which the "legitimate Government" of Mr. Babrak Karmal, the Afghan President, is in need of protection, leaves them little room for concessions even if they were contemplating any.

The offer to conduct a "frank and honest" dialogue, also contained in the Pravda report, bore a strong resemblance to last month's offer by the Soviet-backed Afghan regime to start talks with Iran and Pakistan on normalising relations.

A genuine dialogue between the U.S. and the Soviet Union was not expected to be feasible if it is based on an interpretation of facts which the West rejects, any more than talks with Iran and Pakistan on normalising relations were likely as long as they were to be held with an Afghan regime which neither Iran nor Pakistan has any intention of recognising.

### Rotterdam dockers defy Government wage curbs

BY CHARLES BATCHELOR IN AMSTERDAM

DOCKERS IN Rotterdam have voted for wage demands which could make the port the centre of a new bout of labour unrest.

A branch meeting of the FNV Transport Workers Union, approved by a large majority a call that the union press for improved pay in defiance of the Government's wage curbs.

Only 350 harbour workers out of the 10,000 who are members of the Socialist-Catholic trade union attended the meeting.

They voted to resurrect a claim first drawn up last Autumn

for real wage increases of 2 per cent over and above inflation-linked rises, longer holidays and an improved early retirement scheme. The decision was taken against the advice of the executive committee of the union which has 1.1m members in all areas of Dutch industry.

The union is opposed to the wage curbs which limit increases to Fl 26 (€5.20) a month and it has called on its negotiators to exploit loopholes in the wage legislation. But it is opposed to flouting the law outright.

### Turkish air fares double

BY METIN MUNIR IN ANKARA

AIR FARES doubled in Turkey yesterday, following a 107 per cent pay settlement over two years for the staff of Turkish Airlines (THY) who have been on strike for 90 days.

The pay increase, expected to set the tone for 700,000 state-employed workers whose contracts come up for renewal this year, is below the present average in Turkish industry. Turkish Airlines is expected

to start flying again within a week. To counter rumours that it might be dangerous to fly in aircraft which have been idle for three months, Mr. Huseyin Ozalp, the Minister of Communications, plans to travel on the first flight.

The inflation rate—as measured by the cost-of-living index—dropped sharply in Ankara and Istanbul in March, compared with the previous month.

### Commonwealth of Australia

Fifteen Year 6½% Bonds Due June 15, 1982

To the Holders of the above-described Bonds

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Bonds of the above-described issue, Morgan Guaranty Trust Company of New York, as Sinking Fund Agent, has drawn by lot for redemption on June 15, 1980 at 100% of the principal amount thereof through operation of the Sinking Fund, \$404,000 principal amount of said Bonds bearing the following numbers:

OUTSTANDING BONDS BEARING THE FOLLOWING NUMBERS EXPIRING BY ANY OF THE FOLLOWING TWO DATES:

02 30 51 54 57 63

ALSO BONDS BEARING THE FOLLOWING NUMBERS:

405 2905 4305 4925 5205 5265 5305 5325 5335 5355 5365 5375 5385 5395 5405 5415 5425 5435 5445 5455 5465 5475 5485 5495 5505 5515 5525 5535 5545 5555 5565 5575 5585 5595 5605 5615 5625 5635 5645 5655 5665 5675 5685 5695 5705 5715 5725 5735 5745 5755 5765 5775 5785 5795 5805 5815 5825 5835 5845 5855 5865 5875 5885 5895 5905 5915 5925 5935 5945 5955 5965 5975 5985 5995 6005 6015 6025 6035 6045 6055 6065 6075 6085 6095 6105 6115 6125 6135 6145 6155 6165 6175 6185 6195 6205 6215 6225 6235 6245 6255 6265 6275 6285 6295 6305 6315 6325 6335 6345 6355 6365 6375 6385 6395 6405 6415 6425 6435 6445 6455 6465 6475 6485 6495 6505 6515 6525 6535 6545 6555 6565 6575 6585 6595 6605 6615 6625 6635 6645 6655 6665 6675 6685 6695 6705 6715 6725 6735 6745 6755 6765 6775 6785 6795 6805 6815 6825 6835 6845 6855 6865 6875 6885 6895 6905 6915 6925 6935 6945 6955 6965 6975 6985 6995 7005 7015 7025 7035 7045 7055 7065 7075 7085 7095 7105 7115 7125 7135 7145 7155 7165 7175 7185 7195 7205 7215 7225 7235 7245 7255 7265 7275 7285 7295 7305 7315 7325 7335 7345 7355 7365 7375 7385 7395 7405 7415 7425 7435 7445 7455 7465 7475 7485 7495 7505 7515 7525 7535 7545 7555 7565 7575 7585 7595 7605 7615 7625 7635 7645 7655 7665 7675 7685 7695 7705 7715 7725 7735 7745 7755 7765 7775 7785 7795 7805 7815 7825 7835 7845 7855 7865 7875 7885 7895 7905 7915 7925 7935 7945 7955 7965 7975 7985 7995 8005 8015 8025 8035 8045 8055 8065 8075 8085 8095 8105 8115 8125 8135 8145 8155 8165 8175 8185 8195 8205 8215 8225 8235 8245 8255 8265 8275 8285 8295 8305 8315 8325 8335 8345 8355 8365 8375 8385 8395 8405 8415 8425 8435 8445 8455 8465 8475 8485 8495 8505 8515 8525 8535 8545 8555 8565 8575 8585 8595 8605 8615 8625 8635 8645 8655 8665 8675 8685 8695 8705 8715 8725 8735 8745 8755 8765 8775 8785 8795 8805 8815 8825 8835 8845 8855 8865 8875 8885 8895 8905 8915 8925 8935 8945 8955 8965 8975 8985 8995 9005 9015 9025 9035 9045 9055 9065 9075 9085 9095 9105 9115 9125 9135 9145 9155 9165 9175 9185 9195 9205 9215 9225 9235 9245 9255 9265 9275 9285 9295 9305 9315 9325 9335 9345 9355 9365 9375 9385 9395 9405 9415 9425 9435 9445 9455 9465 9475 9485 9495 9505 9515 9525 9535 9545 9555 9565 9575 9585 9595 9605 9615 9625 9635 9645 9655 9665 9675 9685 9695 9705 9715 9725 9735 9745 9755 9765 9775 9785 9795 9805 9815 9825 9835 9845 9855 9865 9875 9885 9895 9905 9915 9925 9935 9945 9955 9965 9975 9985 9995 10005 10015 10025 10035 10045 10055 10065 10075 10085 10095 10105 10115 10125 10135 10145 10155 10165 10175 10185 10195 10205 10215 10225 10235 10245 10255 10265 10275 10285 10295 10305 10315 10325 10335 10345 10355 10365 10375 10385 10395 10405 10415 10425 10435 10445 10455 10465 10475 10485 10495 10505 10515 10525 10535 10545 10555 10565 10575 10585 10595 10605 10615 10625 10635 10645 10655 10665 10675 10685 10695 10705 1071



## OVERSEAS NEWS

## UNREST IN INDIAN NORTH-EAST

## Assamese learn the power of oil

BY K. K. SHARMA

AGITATORS IN Assam have learned from the Arab nations how powerful the oil weapon can be. For nearly eight months, no oil has flowed from this strategic north-east state, which produces a third of India's oil, about 3.5m tonnes a year. Assam's three refineries are idle. Pickets stand at their gates.

Determined student agitators are making sure no oil reaches the rest of India, where the Government has been forced to increase imports of costly petroleum products from 4m to 6m tonnes. But the shortages are also hurting the north-east itself, and the students have just allowed the refineries to re-open experimentally—although their products will be sold only locally.

The entire north-east region is in ferment. As in Assam, the agitation is over "foreigners"—mainly migrants from Bangladesh and West Bengal. Student leaders in Gauhati, the state capital, or those who are still at liberty (scores were arrested in last month's crackdown, while others have gone "underground"), cite figures which officials concede are broadly correct.

Electoral rolls and the census figures show nearly 135,000 illegal immigrants and 760,000 Hindu refugees from Bangladesh entered Assam in the 1950s, and 342,000 arrived in the 1960s. The agitation leaders

estimate that anything between 2m and 3m Hindu and Moslem Bangladeshis entered Assam after the 1971 Bangladesh war. They want these identified and deported, on the grounds that the "foreigners" are affecting their culture and taking away their jobs.

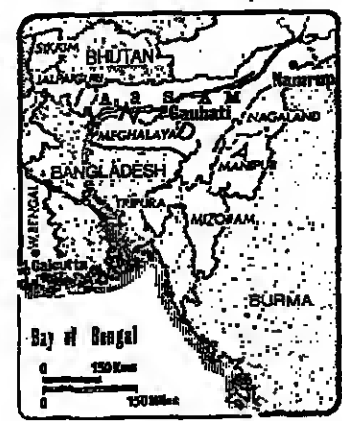
The students claim their movement has been peaceful and that they have adopted Mahatma Gandhi's tactics of civil disobedience, although government officials deny the absence of violence.

After months of inaction, the Government and Mrs. Gandhi started talks with the students, but failed to agree on which "foreigners" should be deported. The students insist on removing the immigrants who have arrived since 1951, but the authorities do not want to set a date. They also point out that, because Bangladesh has sealed its borders, many settlers would be impossible to deport.

There is little doubt that last month's crackdown was ill-advised. The army's show of force and the use of the Preventive Detention Act to cow the agitators proved unnecessarily provocative. If anything, more Assamese are joining in. If their demands are not agreed to by May 15, the students say they will intensify their action.

The unrest in Assam has not just damaged the national economy. A Gauhati official estimates Assam's lost indus-

trial production at about Rupees 200m (£11.1m) a day. The three refineries—at Gauhati, Bongaigaon and Digboi—are losing about Rupees 40m a day, and because Dulajon and Nafra, the main



oil fields, have stopped production, another Rupees 42 a tonne in oil royalties is being lost. Lack of natural gas has affected the fertiliser plant and the power station at Namrup and, because of power cuts, Upper Assam's ten gardens are suffering huge losses.

The spread of the movement is ominous. The north-east has always been the most difficult to integrate with the rest of India, the main access being a narrow strip north of Bangladesh. In April, West Bengal Youth Congress members

showed how easy it is to cut this link when they organised a retaliations "blockade." The only other tenuous link is by air. Communications in the north-east itself are minimal, and the hilly terrain is ideal for insurgents.

Insurrection has been a perpetual threat for the past 30 years, although it has been quelled in Nagaland, where it began. But, in the border state of Mizoram, a secessionist movement has barely been kept in check by the Army and police, while Maoist and Marxist militants are active in such states as Tripura and Manipur. Manipur is the latest trouble spot. Recent rioting there was also over the issue of "mangyas" (outsiders).

The central Government needs to keep the peace in the north-east for strategic reasons... the Chinese are just across the border, while the tribes in nearby Burma have never accepted the international boundary.

The north-eastern people and tribes are fiercely independent, and many have resisted attempts to bring them into the national mainstream. Now that Assam has shown it can wield the oil weapon, the central Government will have to reassess its approach towards integrating a region which is far different ethnically, geographically and culturally from other parts of India.

## New Qatar gas field discovered

By Kevin Done in Ludwigshafen

A GAS field discovered by a consortium of companies led by Wintershall of West Germany off the north-east coast of Qatar in the Gulf could be one of the world's largest gas finds.

According to BASF, the West German chemicals group and parent company of Wintershall, the portion of the field located within the consortium's exploration area could contain as much as 1,000bn cu metres of natural gas.

Apart from Wintershall which has a 32.5 per cent share in the exploration consortium, the other members are Koch Inc. (35 per cent), Vebs (12 per cent), Deutsche Schachtbau (10.5 per cent), and Gulfstream Resources (10 per cent). Four exploration wells have been completed and tested on the field.

Patrick Cockburn adds: Despite Wintershall's optimism that the North West Domes will be exploited by the late 1980s, the Qatar Government says it will not develop the gas fields until the price of gas has risen.

Sheikh Abdel Aziz al Thani, Finance and Petroleum Minister, said last month that "we will exploit our gas resources only when we face the need to decrease our crude oil production rates."

## Confusion in Kampala as power struggle goes on

BY JOHN WORRALL IN NAIROBI

REBEL SOLDIERS loyal to Brig David Oyite Ojok, Uganda's Army Chief of Staff, said yesterday that they were in full control of Uganda, but an aide to President Godfrey Binaisa said he was "still freely exercising the powers of his office."

Troops backing Brig. Ojok were known to be in control of the Government radio station and Kampala's main post office for the second day, although few soldiers were seen on the streets. Many office workers stayed home and the capital remained quiet.

"The Military Commission of the National Consultative Council is in full control of the country," a soldier speaking for Brig. Ojok said in Kampala. The commission yesterday suspended foreign money transactions to avoid a flight of money from the country.

On Saturday, Brig. Ojok, a close friend and supporter of Dr. Milton Obote, a former president of Uganda, was dismissed by President Binaisa. But he refused to accept his dismissal.

President Binaisa was at his official residence in Entebbe, 21 miles from Kampala. On Sunday he was reported under the protection of soldiers from Tanzania. Asked whether Mr. Binaisa continued to act as President, an aide, reached by telephone, replied: "Yes."



President Godfrey Binaisa "Still carrying on his duties"

The Military Commission is also known to have taken over the State financial apparatus, but it is not certain whether or not the army has taken control of the whole Government. The commission yesterday suspended foreign money transactions to avoid a flight of money from the country.

So far, no attempts have been made to take over the Government by force. The members of the Military Commission are Mr. Paulo Mwangi, Labour Minister; Lt-Col. Tito Okello, army

commander; Brig. Ojok, and Col. A. Marura.

It is not at all clear in Kampala why President Binaisa sacked Brigadier Ojok. Speculation is that Binaisa had evidence that the Brigadier was about to launch a coup in favour of Dr. Obote, who is due to return from Dar-es-Salaam this month, ostensibly to fight the end-of-the-year elections.

Obote supporters in Uganda have been angered by the claim laid down by President Binaisa and the Government that the elections would be fought only under the aegis of the Coalition Uganda National Liberation Front, which organised the movement from Dar-es-Salaam. Against all Amin, leading to his downfall 13 months ago.

Dr. Obote has threatened to conduct the elections under the banner of his former party, the Uganda People's Congress, which was proscribed by Amin after his takeover.

From Dar-es-Salaam, Dr. Obote has denied any association with the actions of the military commission, but has said that President Binaisa should have consulted it before dismissing Brigadier Ojok.

There have been promises of a statement by the Government, but the question being asked in Kampala is: "Which Government?"

## Khomeini may name Prime Minister soon

TEHRAN — President Abol Hassan Bani-Sadr of Iran yesterday held a two-hour meeting with Ayatollah Ruhollah Khomeini to discuss the appointment of a provisional Prime Minister.

The President told the newspaper Keyhan that the appointment, designed to stabilise the country's disjointed power structure and consolidate his own position, would probably be made soon.

He was expected to see the revolutionary leader after his talks with Hajjatoleslam Ahmad Khomeini. Ayatollah Khomeini has been a central figure in the President's moves to select a Premier over the past week.

Diplomats noted that President Bani-Sadr's position had been continuously weakened by opposition from within the ruling Revolutionary Council, which has acted as Government and Parliament since the resignation of Dr. Mehdi Bazargan last November.

With the prospect of a parliament dominated by the hard-line Islamic Republican Party (IRP), following the last round

of elections last Friday, President Bani-Sadr was trying to set up a broad-based Government under a moderate premier, observers said.

President Bani-Sadr told Keyhan he would present a list of candidates for the Premiership to Ayatollah Khomeini, but he did not say what names were included.

Approaches are known to have been made to a number of politicians, including Adm. Ahmad Madani, the former naval commander, Hassan Rahabi, the Revolutionary Council's spokesman, Mr. Sadeq Tabataba'i, a former deputy premier, and Mr. Dariush Forouhar, a nationalist politician.

According to the Islamic constitution adopted last year, the Prime Minister and Cabinet must ultimately be approved by Parliament, due to meet for the first time early next month. But any Premier chosen now would automatically have the approval of Ayatollah Khomeini, which would be difficult for Parliament to disregard.

Reuter

## Egypt Government likely to resign within hours

BY ROGER MATTHEWS IN CAIRO

THE Egyptian Government is expected formally to tender its resignation to President Anwar Sadat within the next few hours, to clear the way for a major reorganisation of the State machinery.

President Sadat is to make a key speech tomorrow, during which he will attempt to chart Egypt's future, following the signing of the peace treaty with Israel. On Thursday, he will meet Government leaders to decide Egypt's next move in the Palestinian autonomy talks, suspended at the weekend.

It appears that he intends his speech to mark another turning point in Egyptian history. To this end, he is likely to undertake a sweeping reform of Government, switching perhaps to a system modelled on U.S. lines, while devolving greater power to provincial governors.

Mr. Hosni Mubarak, the Vice-President, seems certain to take a more prominent role in running day-to-day affairs. Some observers believe Mr. Sadat will abandon the present Prime Ministerial system and opt for a number of Secretaries of State who will report direct either to himself or the Vice-President.

This has raised doubts about the future of Dr. Mustapha Khalil as Prime Minister. Dr. Khalil may be offered a new portfolio, but it is more widely felt that he will leave the Government.

Mr. Sadat is also likely to appoint a new Foreign Minister, the post Dr. Khalil at present combines with the Premiership. The most likely candidate is Gen. Kamal Hassan Ali, the present Defence Minister, who would in turn be replaced by Lt-Gen. Ahmed Badawi.

The President's disappointment at the lack of impact made by the dominant National Democratic Party, which he heads, is also certain to be reflected in the changes.

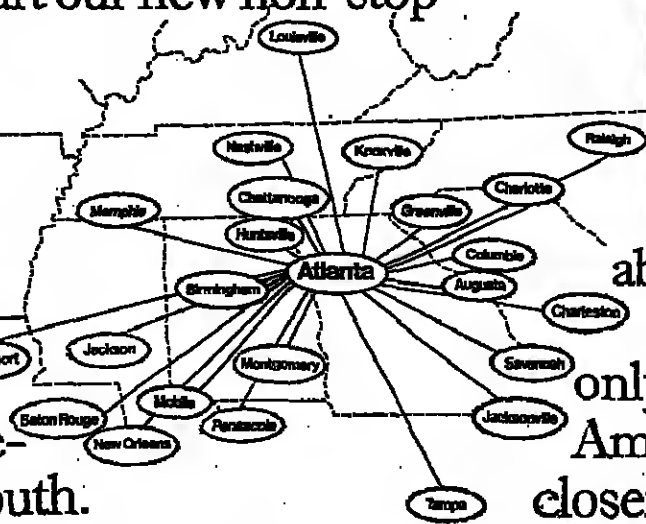
The twin themes of Mr. Sadat's speech, and the government changes, are intended to set the framework for the new prosperity he has promised the country. Inevitably, there is speculation that the changes will be more cosmetic than real and that they have been forced on the President by growing public discontent over sharply rising prices and the widening gap between the wealthy few and the masses.

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## Inter Projects & Engineering Corporation of Dammam, Saudi Arabia

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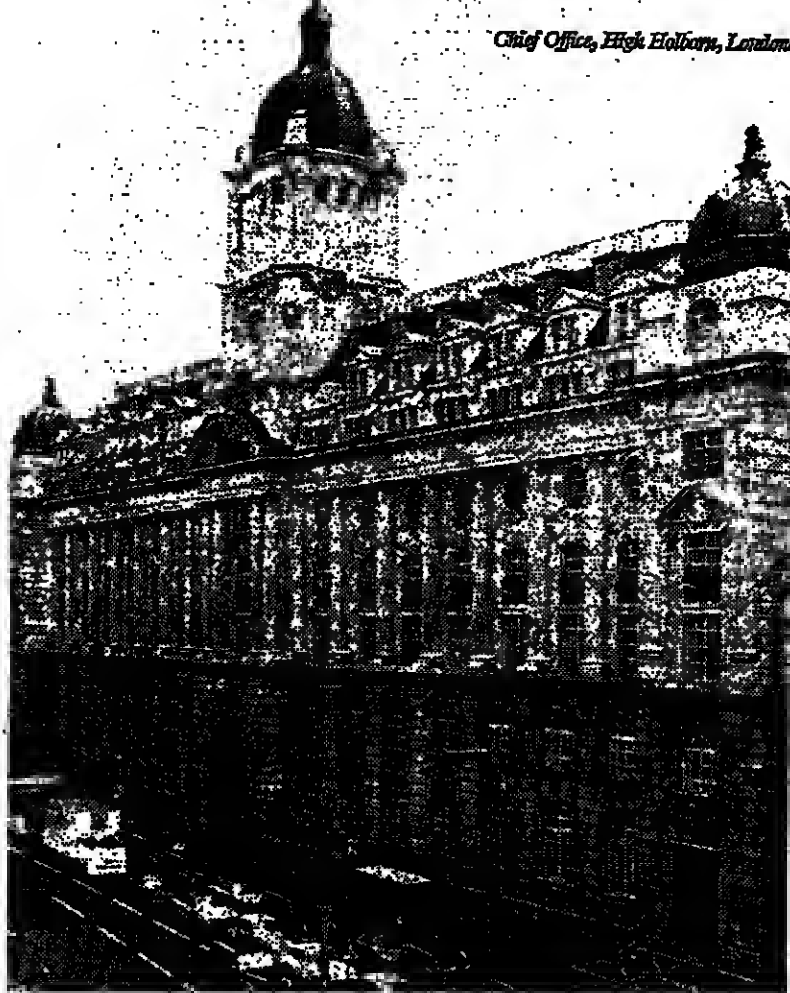




PEARL ASSURANCE COMPANY LIMITED

# "The Pearl actively promotes savings among those who would otherwise be unlikely to save"

Statement by the Chairman, Mr. F. L. Garraway



Chief Office, High Holborn, London.

During the last six months the number of directors has fallen to nine as a result of the retirements of our President Mr. S. C. McIntyre at the end of February 1980, and of our two Deputy Chairmen, Mr. T. J. Leach on 31st October 1979 and Mr. A. C. Edwards on 31st January 1980. Each of these gentlemen devoted his whole business career to the Company. Each of them served the Company in a succession of posts of increasing importance and each of them on retiring from full time occupation gave the Company three years of most valuable service as a non-executive director. I take this opportunity of expressing publicly the Pearl's gratitude to these colleagues who contributed so much to the well-being of our business over many years.

The Board elected two of its non-executive members, Mr. E. T. Blythe and Mr. T. W. Lewis, to be Deputy Chairmen. We are fortunate that they were available, and willing to accept appointment.

Under the Articles the number of directors may range from seven to twelve. We do not believe it necessary to maintain the number at any particular level but we do consider that a reasonable balance between executive and non-executive directors is desirable.

**Directors' Fees**

At the Annual General Meeting a proposal will be put to stockholders designed to increase the fees payable to non-executive directors. Executive directors of the Company receive salaries related to their executive offices. All directors receive fees in respect of their purely directorial duties. The level of the latter is, as it should be, the same for all directors. Given the present fees, per annum, are at present £3,000 for the Chairman, £2,500 for Deputy Chairmen and £2,000 for other directors. These figures have remained unaltered since 1958 and are now quite out of date and out of line with levels ruling today. Stockholders are therefore asked to permit the payment of fees within the minimum and maximum set out in the Notice of Meeting. However, present intentions are to increase the fees so permitted would be granted only to non-executive directors, including Deputy Chairmen. No increase over the existing fees would be granted to executive directors, including the Chairman. The overall cost of an increase of fees would be £9,000 per annum.

**The Remuneration of Subsidary Companies**

Our subsidiary companies are divided to the report into those for which accounts are incorporated in our group profit and loss account and those for which they are not. Those which are not so consolidated for the reasons given in the accompanying notes.

Since two of the subsidiary insurance companies transacting non-life business have largely increased the long-term fund and only indirectly and to a small extent affect the profits attributable to stockholders, we consider that the production of aggregated revenue accounts for each class of business transacted by the group would serve no useful purpose and could indeed be misleading. Nevertheless we feel it is desirable to provide more details than hitherto in respect of the activities of our insurance subsidiaries, particularly for Pearl Assurance (Unit Funds), through which a substantial amount of asset-linked business is now being sold in the United Kingdom, and accordingly have introduced some additional supplementary information in the report.

## LONG-TERM BUSINESS

**New Life Business**

In the industrial branch, new annual premiums increased from £16.9 million to £24.4 million (44 per cent) and sums assured from £235 million to £268 million (13 per cent). This very satisfactory increase has been affected by two sets of special circumstances. As was pointed out in last year's report, 1978 included only 50 weeks of written new business because of the change in the policy-dating system. In 1979 this change in system, which means that policies are dated every fourth Monday, has resulted in the inclusion of 52 weeks of written new business. Secondly, the introduction of the new system of granting life assurance premium relief has resulted in our writing policies for a considerably greater average premium than hitherto. It appears that a majority of industrial branch policyholders, when taking out a new policy, consider the amount that they will be paying in cash rather than the net amount payable after taking tax relief into consideration.

In the ordinary branch, our marketing strategy and the use of television advertising have meant that the primary efforts of our field staff are directed towards canvassing a

different type of policy in each year. In 1978 the vehicle of our sales effort was our new self-employed annuity contract and we obtained satisfactory results. In 1979 the vehicle was the unit-linked contracts issued by our subsidiary, Pearl Assurance (Unit Funds). These policies are covered by our normal field staff, supported by specialist salesmen, and additional effort in one direction must therefore imply some reduction of effort in another. The issue of a larger number of policies by Pearl Assurance (Unit Funds) has therefore, in some extent, been matched by a reduction in policies issued by the Pearl. Taking the two together, our new annual premiums were up from £14.4 million to £16.9 million (17 per cent) and annuity sums assured from £124.4 million to £124.4 million (65 per cent). It will be seen therefore that the main growth was in single premiums rather than the annual premiums. This was a deliberate part of our strategy, as explained below.

In the Pearl ordinary branch, new annual premiums fell from £13.3 million to £12.3 million. Sums assured increased from £409 million to £419 million but new annuities per annum fell from £10.4 million to £9.2 million. This shows that the change from 1978 to 1979 resulted from the switch in our advertising emphasis from annuity business to unit-linked business, whereas the amount of traditional life assurance continues to increase steadily.

**Life Business in Force**

The total life business in force in the Pearl at 31st December 1979 comprised sums assured and bonuses of £4,776 million, £2,807 million in the industrial branch and £4,469 million in the ordinary branch, compared with £3,594 million a year earlier. Annuities and bonuses amounted to £95 million per annum compared with £78 million. Combined pension income (including annuity consideration) was £780 million, over £710 million in the industrial branch and nearly £70 million in the ordinary branch, compared with £145 million, an increase of 24 per cent. Total payments to policyholders in the form of claims, surrenders and annuity payments amounted to £99 million compared with £88 million in 1978. Surrender payments increased to £19.2 million from £15.9 million. Although we are always sorry to see our policyholders surrender their policies, thereby not obtaining the full value from their savings, this was not a serious increase bearing in mind that surrender values were improved in the second half of 1978.

In the industrial branch, the expense ratio has decreased from 41.34 per cent to 39.24 per cent. The introduction of the new system of life assurance premium relief has resulted in an increase in the premium income of some 15 per cent in this year and the outside observer might therefore have expected a rather larger fall in the expense ratio than this. There have been three special causes which have gone some way to neutralise the expected reduction. The first was the actual cost of introducing the new system of premium relief. The second was the cost of the improvements in the Staff Superannuation Fund mentioned later. The third was the large amount of new business obtained. The expense ratio to any year is a combination of a high rate of expenses on first year premiums combined with a lower rate of expenses on subsequent premiums. The particularly buoyant new business has therefore resulted in correspondingly higher expenses and this shows up to the overall expense ratio without affecting the profitability of the business or the return to the policyholders. The introduction of the new system of premium relief has been of little benefit in this respect since we are paying appropriately higher commissions to our staff on the higher premium income received.

In the ordinary branch, the expense ratio fell slightly from 32.93 per cent to 32.77 per cent, although this branch was also affected by the increased contribution to the Staff Superannuation Fund. The main factor offsetting this was the decreased amount of new business written by Pearl during the year. The costs appropriate to the high new business written by Pearl Assurance (Unit Funds) has become a more significant part of our business. The abridged account in the report shows that the life assurance fund has grown from £8.7 million at the beginning of the year to £24.1 million at the end. If the offices issuing linked policies are measured by the amount of policyholders' linked funds, we are now

among the 20 largest linked life assurance companies in the country although, of course, a long way behind the biggest in this business.

New annual premiums in 1979 increased to £23.5 million, net of insurance, from £11.1 million in 1978 and single premiums to £14.3 million from £8.5 million. Although we expect the 1980 new business to be lower than that for 1979, because our main advertising impact will be elsewhere, we believe that this new type of business has established itself in the minds of our field staff and that we will continue to attract a substantial flow of new business. In any case, our annual premium income is now sufficient to guarantee a steady growth in the fund.

Since the active expansion of the business, this subsidiary has made a loss, which has been met by the subscription of additional capital including £350,000 in 1979. This loss is a technical one, arising from the fact that expenses so far have exceeded the income, resulting in a deficit of tax relief on the excess of expenses. At the end of 1979 this unrelieved excess amounted to nearly £2 million. We shall be able to utilise the deferred tax relief on this excess as and when investment income matches expenses but this potential recovery cannot be shown as an asset. As a result of our policy of encouraging single premiums to maximise investment income, the break-even point will be reached, we believe, in 1980 and from that time onwards the company will be showing a profit. This profit must first be used to make good the temporary deficits which have been financed out of the capital but we hope that it will be possible to start paying dividends to the parent company in 1982 or 1983. It would have been possible to avoid this technical loss by limiting the growth of the company but we believe that shareholders will benefit more in the long run from the receipt of larger profits on a bigger fund, even though these will be deferred.

**Capital Redemption Fund**

As stated last year, the surrender of a substantial group of policies resulted in an exceptional profit in 1978. The lower profit for 1979 reflects the fact that there have been no abnormal features this year.

**Overseas Life Business**

The transfer of the Kenya currency portion of our East Africa portfolio is shown in this year's accounts as mentioned in the 1978 report. Zimbabwe is now the only overseas country in which we are actively writing life business and we are glad to welcome the new and legitimate Government. Our life business there, however, represents less than 1 per cent of our total ordinary branch business and the effect, either way, on the Company's overall profits cannot be significant.

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increased from 2.20 per cent (2.60 per cent for pensions business) of the sum assured (or annuity) and bonus for each year that the policy has bonuses attaching, excluding the first three years, to 1.30 per cent (1.80 per cent for pensions business) subject to a maximum of 27.50 per cent (37.50 per cent for pensions business). Hitherto, the maximum number of years qualifying for this terminal bonus has been 20. This has been increased to 21 and it is our present intention to increase the number of years qualifying year by year in future.

The bonuses declared for the overseas territories are similar to those declared for 1978.

The valuation basis of the industrial branch business has been strengthened in such a way as to make adequate provision for the higher deferred bonuses mentioned below. The surplus for the year was £31.4 million, an increase of 20 per cent on the previous year. This results primarily from the increased yield on the fund, partly offset by the heavier expenses some of which were exceptional and will not be repeated. In addition, the first ten-year endowment assurance, issued in 1970, will mature this year. Additional unrelieved capital profit on investments has therefore been released in order to provide for terminal bonus on the larger number of maturities. Increased reversionary bonuses have been declared for eligible policies and terminal bonuses have been reduced so as to provide bonuses roughly equivalent to those granted in the ordinary branch.

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market. Apart from its vulnerability to adverse weather conditions (which have been more frequent in recent years, it is early to administer and difficult to balance in conditions of inflation because of the differing impact this has on the income and outgo of the account. We have had to introduce some increases in rates and changes in policy covers to absorb the rising frequency of claims but the main thrust of our remedial action has been directed at removing the distortions created by under-insurance. This action will continue to be taken and it is being reinforced this year by a special 'home' direct-to-door campaign to persuade policyholders of the vital need to adjust their sums insured if the base to which annual increases are applied is inadequate.

**Overseas**

Our overseas branches and agencies contributed 4 per cent of our premium income and 23 per cent of our trading surplus. As mentioned in my last report, our branch business in Zimbabwe was transferred to 'Pearl General Insurance Co. (Private) Ltd.', a wholly-owned subsidiary company, as from 1st January 1979.

**Reinsurance Treaties**

This account produced a small underwriting profit and a trading surplus of £0.6 million. We have recently opened an underwriting office in the City to accelerate the development of the business.

**Marine, Aviation and Transport**

Premium income amounted to £3,782,000. Trading conditions in the marine and aviation markets continue to be very difficult as claims grow faster than premiums which are kept unrealistically low by intense competition. The 1977 account was closed with an underwriting loss and the new 1979 account suffered heavily from bulk losses but the gross profit was £1.2 million. The transfer of £150,000 from the profit and loss account to maintain the fund at an adequate level.

**Subsidiary Companies**

The combined premium income of our subsidiary companies in Brazil, Portugal, Zimbabwe and the U.S.A. amounted to the equivalent of £1.34 million.

The U.S. subsidiary showed a net trading loss in its local account, resulting from the overpricing of the reserves to cover the run-off of some pools and associations business cancelled in previous years. In Zimbabwe, the 'Pearl General' had a small underwriting profit in its first year of operations. In the U.S.A., the 'Insurance' showed a reasonable trading profit and, in Portugal, our subsidiary company is likely to show a small trading profit.

**New York Insurance Exchange**

We joined with seven other European and American insurance reinsurance companies to form an underwriting syndicate in the recently formed New York Insurance Exchange. The syndicate, known as the 'First New York Syndicate Corporation', started writing business when the Exchange opened at the end of March this year.

**INVESTMENTS**

Separate balance sheets are shown for the long-term, short-term and stockholders' funds and the supplementary statement given in the report shows the comparative market values and balance sheet values of each fund together with the gross income earned. The figures in these statements relate to the Company as a whole, the long-term fund being the dominant factor.

Total gross investment income at £128 million showed an increase of £23 million over the previous year. Of this increase, £12.6 million was attributable to equity investment including real property.

During 1979 the gilt-edged portfolio was increased by £87 million against £59 million in the previous year. Gross income under house purchase mortgages totalled £16 million with net lending amounting to £8 million.

Net equity investments, mainly in United Kingdom shares, were almost £26 million compared with £23 million in 1978. £13.8 million was added to the United Kingdom property portfolio, while our Australian properties were sold for £7.4 million. At the end of the year forward property commitments stood at over £19 million.

Over the past three years, £189.7 million has been invested in gilt-edged securities and £17.9 million in equities and £16 million in property.

The gross yields on the life funds were 11.74 per cent (1978 - 10.70) in the ordinary branch and 12.79 per cent (1978 - 10.75) in the industrial branch.

Over the years a high proportion of long-term investment has been maintained in equities and property, with the aim of obtaining some long-term capital growth and a long-run real return. Such emphasis is expected to continue but for precautionary reasons it is necessary that a significant part of our funds should be in gilt-edged securities. This requirement has been reflected in the substantial purchases of Government bonds effected during the course of last year. However, we should not be deceived by the apparently high interest rates obtainable. Commentators on these matters, who almost invariably concentrate upon the situation of the borrower and his desire to borrow more cheaply, would do well to consider also that of the other essential participant, the lender. Should inflation continue at present rates, he will be getting a negative real return on his lending. In many cases he is, in addition, required to pay tax upon unreal earnings.

In 1979 dividend income from United Kingdom companies was particularly buoyant and included an important element of adjustment to dividend freedom. The prospect of a recession and, of a widespread squeeze on profits brought about by sharply rising domestic costs, coupled with a high exchange rate for Sterling, make it likely that for a time any further progress will be much more modest. We hope that before long the widespread adoption of the recently introduced accounting standard dealing with inflation accounting will bring some much needed realism into financial statements. Whilst the prime and urgent need is to provide real measuring rods for the management of the economy as a whole and for individual enterprises, there is also a need for portfolio investment will also welcome the improved ability to judge true success.

**PROFIT AND LOSS ACCOUNT**

The transfers from the long-term funds amount to £16,772,000 as against £5,886,000, an increase of 27.6 per cent. This reflects the comparatively large increase in the yield on

the funds. The transfer from the general branch account has been increased to £1,452,000 from £786,000 but this is partly counterbalanced by the transfer out to the marine, aviation and transport account which has increased from £200,000 to £450,000.

Investment income on stockholders' funds was £1,826,000. After allowing for other income, expenses and taxation, the net profit for the year was £2,845,000. After the transfer of £1,000,000 to the general branch reserve fund and the proposed increase to the total dividends for the year, the carry-forward has been increased to £2,339,000.

**LIFE ASSURANCE PREMIUM RELIEF**

As I said last year, the new system under which life assurance premium relief is deducted from premiums at the time they are paid, instead of the relief being given to policyholders through adjustment of their tax liability, was introduced in April 1979. As a result, a great deal of additional work was undertaken and this is reflected in the increased expenses shown in the industrial branch revenue account. However, events have proved that the new system, which has now been operating successfully for over a year, is viable. Within the industrial branch, we have a recording and accounting system which is extremely efficient for day-to-day work but which can only be adapted with difficulty to unforeseeable changes. The introduction of this new system of premium relief has meant a great deal of additional work which could only be performed by experienced staff and has therefore had to be spread over a period. This has meant that other work fell into arrears and it has taken us nearly a year to catch up.

In setting up our new system we have made provision for the fact that the current rate of premium relief would be revised by the Government from time to time. The reduction of the rate to 15 per cent in April 1981, must involve further work but we do not anticipate the same degree of expense and inconvenience that we suffered in setting up the system originally.

There have recently been suggestions that life assurance premium relief should be abolished in the interests of fiscal neutrality. Advocates of this argument were given extra ammunition by the conduct of some of the smaller and less well-established offices. These issued policies under which the policyholder was able to pay a premium out of premium relief and then receive back the full premium by way of a surrender value at

the end of a single year, thereby obtaining a high rate of return free of any tax. Not only was this a misuse of the system, but the relief is intended for the long-term saver but also it reduced the ability of the policyholder to take out genuine life assurance because the total premiums eligible for relief in any one year were limited. We have welcomed the Chancellor's intention to take action in the Finance Bill to outlaw such abuses and hope that this will be done without prejudicing the continuation of premium relief for all types of genuine long-term policies. The Financial Secretary to the Treasury has stated that it would be unthinkable to take away premium relief from existing policies. We are very glad to have received such assurance and we are very determined to remove the incentive to long-term saving on new policies. Assurance companies, particularly industrial assurance companies such as the Pearl, actively promote saving and therefore the abolition of the policy which would otherwise be unlikely to save. Savings, and therefore investment for the future, would certainly fall if premium relief were removed or reduced to a disproportionate extent.

**INSURANCE REGULATIONS**

The regulations prescribing a cooling-off period, which I mentioned last year, came into effect on 1st January 1980. It has always been possible for the proposer of policy to return it at the time that it is delivered and to reclaim any deposit that he may have paid (possibly less a contribution if medical expenses had been incurred). Some such proposal would now use the form prescribed by the regulations in doing so. It is therefore difficult to say exactly what effect the new procedure may have had. To date, the total number of policies not taken up by the proposer when delivered it, if anything, slightly less than it was a year earlier. I doubt, therefore, whether the trouble and expense of introducing this new system has been of any material assistance to any proposer for a Pearl policy, but I think that it has improved the image of life assurance as a whole.

We also received early this year the new accounts and forms regulations, prescribing the returns that will have to be made to the Department of Trade from the beginning of 1982. It is obviously necessary for the Department of Trade to exercise adequate supervision over insurance companies and the new accounts and forms are intended to make the task easier. Once again, however, we shall have to divert scarce resources to the revision of our records so that we can provide the information in the form required.

Later this year we have been promised a new Insurance Companies Act which will amend UK law in order to comply with the Life Directive of the European Economic Community. No doubt this will bring further regulations in its train.

**COMPANY ORGANISATION**

We have over the last few years carried out extensive and thorough investigations of various aspects of the Company's organisation and procedures. These have looked at our divisional and district organisation, the system by which the part of our field staff is allocated and our accounting systems. We have now decided in principle upon the changes which we wish to make and have set up a planning team to look into the finer details. The proposals have been put forward in the made union representing our staff and we have started discussions with them. We hope that over the next two or three years we will successfully implement very many changes which will enable us to go forward confidently into the future. Our objective is to reduce expenses, which we hope to achieve through reductions in supervisory staff and the cost of accounting, and at the same time to increase productivity. An even more important objective is to facilitate the expansion of our business to all branches. This we hope to achieve by properly rewarding those who produce sound business, which will result in force and by reducing the time spent on accounting and administration, thereby allowing our staff more time to obtain the additional premium income on which the long-term prosperity of the Company depends.

**IMPROVEMENTS IN PENSIONS**

During the last year we have taken three steps to improve staff pensions. In the first place, we have begun to pay ex-gratia pensions to certain widows of former Pearl employees, whose husbands died before the introduction of our widows' pension scheme in 1979. Some, especially those whose husbands died in service and who therefore received a death-in-service grant, received no company pension although others benefited from their husbands having exercised the option to convert part of their own pension for the benefit of their



AMERICAN NEWS

Oil import fee likely this week

By Our Washington Correspondent

PRESIDENT Jimmy Carter's proposed \$4.62 (\$2.04) per barrel fee on imported oil is likely to take effect this week, despite last minute challenges to the President's constitutional right to impose such a duty.

Several Congressmen, along with some industry groups, are asking for injunctions against the presidential action in the U.S. District Court here, before the fee goes into effect on May 15. The Carter Administration is strongly defending the fee.

Mr. Carter announced the fee as part of his March 14 economic package, and said it would be levied in the form of an extra 10 cent tax on a gallon of petrol. Because there is at present a surplus of petrol stocks in the country, officials do not expect prices to rise by the full 10 cents at once.

The executive authority under which Mr. Carter claimed the right to impose the fee is not permanent, and he has thus proposed that Congress next year translate the fee into a Congressionally-approved excise tax on petrol of the same amount. There is little support for this, however, with energy costs already fueling the uncomfortable U.S. inflation rate.

William Chislett in Mexico City assesses the ambitions of the three-year 'Global Plan' for development. Mexico decides how to divide the oil revenue

PLANNING FEVER is gripping the Mexican Government as it struggles to decide how best to use its mounting oil revenue, estimated at \$11bn this year, compared with \$3.5bn in 1979.

Since President Jose Lopez Portillo took office almost three and a half years ago, there have been eight national plans for different sectors of the economy, like industry and tourism. Four more are being prepared.

Plans have also been published to co-ordinate the activities of the different sectors, and each of the 31 states has issued plans—a total of 556 volumes. Now comes the 1980-83 "Global Plan," the long-delayed (and third) master blueprint. The other two were dropped before they saw the light of day.

No wonder this Administration has earned the nickname of the "planning government," depicted in the news magazine Razones by a cartoon showing a bald, exhausted bureaucrat bent over a sewing machine, trying to patch the multitude of plans together.

It would have been logical to draw up the Global Plan first, establishing guidelines for the plans of other sectors. But logic has never been the Mexican bureaucracy's strong point. The Global Plan has been plagued with problems. It was entrusted to the specially created Planning and Budgeting Ministry, formed in 1977, to create a sense of order in the

anarchic planning system. Two ministers have been dismissed in the past three years and their plans ditched along with them. In Mexico it is the custom for new ministers to bring in their own teams and start again. Other ministries have not had such high casualties. Their plans came out quicker.

That Sr. Miguel de la Madrid, the third Planning Minister and an able technocrat, has managed to get the plan out at all has not gone unnoticed. Politicians are now mentioning his name more frequently as a possible presidential candidate.

However, apart from the dismissal of two planning ministers, there have been two other obstacles in the way of the Global Plan.

First, the Government wanted to complete the three-year stabilisation programme it agreed with the International Monetary Fund after the 45 per cent devaluation of the peso in 1976, before embarking on expansionary policies.

Mexico agreed to cut public spending and moderate growth and wages, in return for \$350m post-devaluation credit.

Second, the Government felt, in the words of one of the President's main economic advisers, that: "We had to convince the world that we really had oil."

At the beginning of Sr. Jose Lopez Portillo's six-year term, Mexico was producing 800,000

barrels a day (b/d). It is now producing 2.1m b/d, and the constant stream of foreign dignitaries through the offices of Pemex, the state oil monopoly, is proof that the world has woken up.

The agreement with the Fund ended in December, 1979, and the economy is more firmly on its feet.

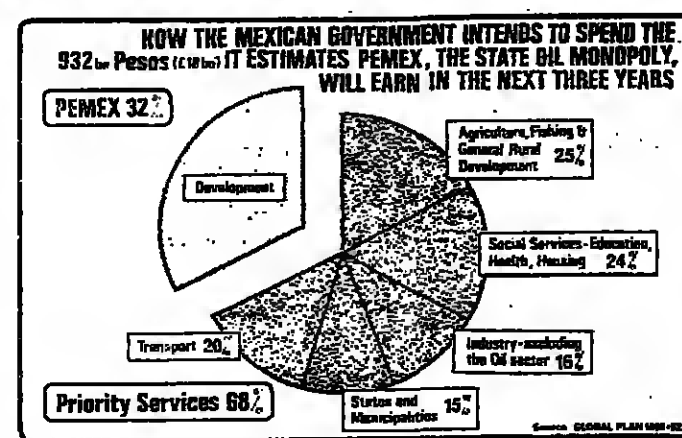
The unprecedented number of plans produced by this Government underlines Mexico's changed circumstances. "We could not plan over the long term as much in the past," said the adviser, "because we did not have a great deal of money to plan with. Now we have the oil and can start to divide up the cake better."

The plan's fundamental purpose—once the pages of rhetoric about following the spirit of the 1910 Mexican revolution are skipped—is to reorientate public sector investment towards long-neglected areas: agriculture, education, health, housing and transport.

Apart from transport, these are the main sectors where the revolution aimed to end injustice. The injustice is however, just as glaring today as then.

The gap between rich and poor, between town and countryside has widened considerably and to a dangerous degree in the drive for industrialisation.

To adjust the balance, 60 per



cent of Pemex's estimated total gross earnings for the next three years — pesos \$31.6bn (£13bn), on 22 per cent of total public revenue—is destined for those "priority" sectors.

Pemex itself will receive only 33 per cent of its current earnings for the development programme, instead of being allowed to plough back into exploration and development, as in previous years.

The depressed agriculture sector will receive the most attention. Mexico's population increase is outstripping agricultural production, which fell in volume by 9 per cent last year from 1978. This year's cereals imports will amount to 7m tonnes, compared with 3.7m tonnes in 1979.

The Global Plan recognises the food crisis is worsening, and that an all-out effort must be made to grow much more food. A major part of the plan—called the "Mexican Food System"—says that 19m Mexicans out of a population of 70m are severely undernourished. More credit, at cheaper rates, will be made available to farmers, and guaranteed prices will be increased to encourage higher production. Government food subsidies this year are estimated at pesos \$5bn (£1.65bn), \$392m more than in 1979.

The Government also wants to remove some of the bottlenecks in the ports, railways and roads

which are holding back production.

A multi-million dollar project is planned to electrify 200 miles of track from Mexico City north to Irapuato, one of the busiest routes. Two major ports on the Gulf coast and two on the Pacific coast are also envisaged.

Among non-oil industries increasing steel output is probably the main task. Sidermax, the state steel company, estimates it will have to increase production from 4.8m tonnes to 18.5m tonnes by 1990, at a cost of at least \$17bn.

Now that Pemex's initial stage of heavy investment is over, and the Government has decided not to turn up the oil valves at the same speed as it has done in the past three years, Mexico can

Cuba asks for talks on Bahama attack

By Nicki Kelly in Nassau

CUBA has asked for a meeting with Bahamian officials following the sinking of a Bahamian naval vessel in the southern Bahamas by Cuban jet fighters on Saturday.

The attack, in which four marines were killed and three others injured, was condemned by the Bahamian Government as "an atrocious act of aggression." A strongly worded protest Note has been sent to the Cuban Government and a copy circulated to members of the United Nations Security Council.

The Bahamas, the note said, was "particularly appalled by the inhumane act" of firing on the defenceless survivors as they struggled in the water.

The attack began at 6.45 p.m. on Saturday while the 103-ft patrol boat Flamingo was towing two Cuban fishing boats arrested shortly before for fishing in Bahamian waters.

A Bahamian statement in Havana yesterday said Cuba has mistaken the Bahamian vessel for a pirate ship attacking its two fishing boats and kidnapping its citizens.

Bahama's Deputy Prime Minister, Mr. Arthur Hanna, rejected the Cuban explanation and pointed out that the attack took place in daylight, when the ship's markings were clearly visible.

A Bahamian Cabinet Office statement said the Flamingo was on its way to port when it was "vicinously attacked without warning by Mig-type fighter aircraft with air-to-surface rockets. A military helicopter also hovered overhead."

The attack continued after the ship had been abandoned and was sinking and the Bahamian crew were machine-gunned while trying to swim to safety. The 15 survivors were able to make their way to nearby Ragged Island in one of the Cuban fishing boats, taking the eight Cuban fishermen with them. They arrived early on Sunday.

On Sunday, the Bahamian statement said: "The Cuban military aircraft continued their

Exim chief defends loan to Murdoch

By David Suchan in Washington

THE PRESIDENT of the U.S. Export-Import Bank yesterday denied to Congress that a low interest government loan to an Australian airline, owned by Mr. Rupert Murdoch, the entrepreneur and newspaper publisher, had been motivated by anything other than the need to match European competition.

Interest on Capitol Hill in \$290m (£127.9m) loan which EXIM extended to Ansett, a domestic airline in Australia, in order to buy Boeing aircraft (in preference to the European Airbus) was sparked by the fact that a few days later the New York Post, also owned by Mr. Murdoch, endorsed President Jimmy Carter for re-election.

Mr. John Moore, the EXIM chief and previously a lawyer in Georgia, President Carter's home state, yesterday insisted that he had not been under political pressure to grant the loan, which the export credit agency approved in February at 8 to 8.4 per cent interest rates. "Nor was I motivated or influenced at any time by the possibility that the New York Post might endorse the President for re-election," he told the Senate Banking Committee.

Mr. Murdoch is due to appear before the committee today.

Congress had several times emphasised in Exim's legislation that the bank should be aggressively competitive with terms offered by other national credit agencies. Mr. Moore said yesterday. The Airbus, manufactured by a European consortium, was a formidable competitor, he said, and had already been bought by another domestic Australian airline.



hostilities and harassed the settlement of Duncan Town, flying as low as tree-top level making a long-range transport plane and a helicopter which hovered just above the houses with the obvious intention of intimidating the population and actually landed."

Two aircraft despatched from Nassau earlier were unable to take off "because of the sustained threat and hostile manoeuvring by the Cuban military aircraft," the statement said.

The aircraft, with the survivors aboard, took off five hours later when the Cuban force withdrew.

A U.S. coastguard search for the on Sunday because of the presence of Cuban aircraft and naval vessels in the area.

Mr. Lynden Pindling, the Bahamian Prime Minister, flew back from London, yesterday to take charge of the situation.

Food stamp deadline row

BY NANCY DUNNE IN WASHINGTON

SOME 27 state and territorial governments plus 26 labour unions and other organisations are threatening to sue the U.S. Department of Agriculture if it does not rescind its deadline of Thursday for terminating the food stamp programme which benefits 21.4m Americans.

The department has set the May 15 deadline for suspension of food stamps if Congress fails to provide funds for the programme by then. Congress wrestling with budget appropriations, has been moving to authorise the money needed to keep the programme alive this year, but it is unlikely that

action will be completed by Thursday.

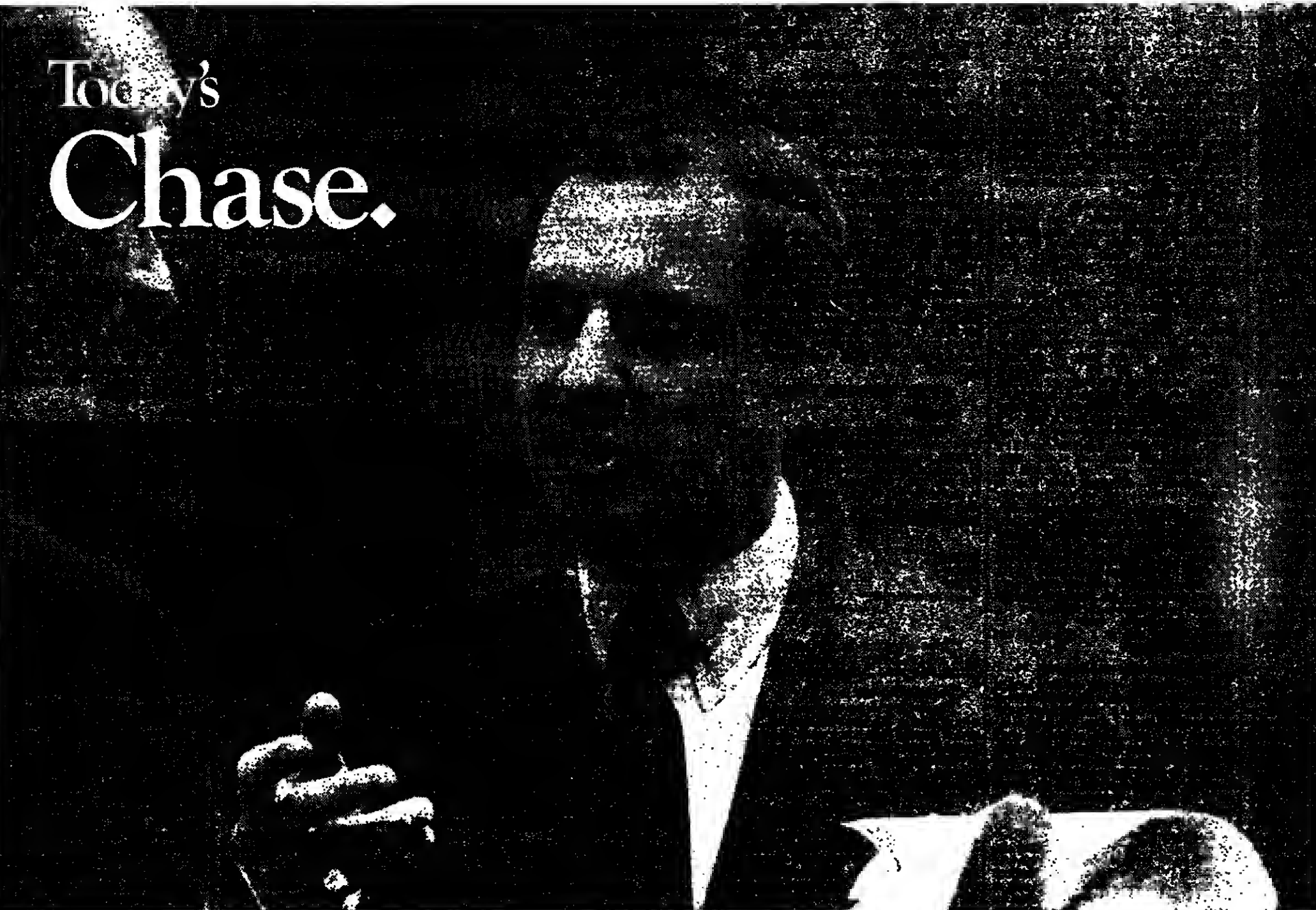
Mr. Robert Abrams, the New York State Attorney General, who appeared with other potential plaintiffs at a news conference yesterday said a suspension of the food stamp programme would cause irreparable injury to food stamp recipients.

Some state officials expressed concern over the possibility of disorders in poorer neighbourhoods. Most food stamp households have gross incomes of under \$300 a month. The stamps are the only benefit available to 40 per cent of the recipients.

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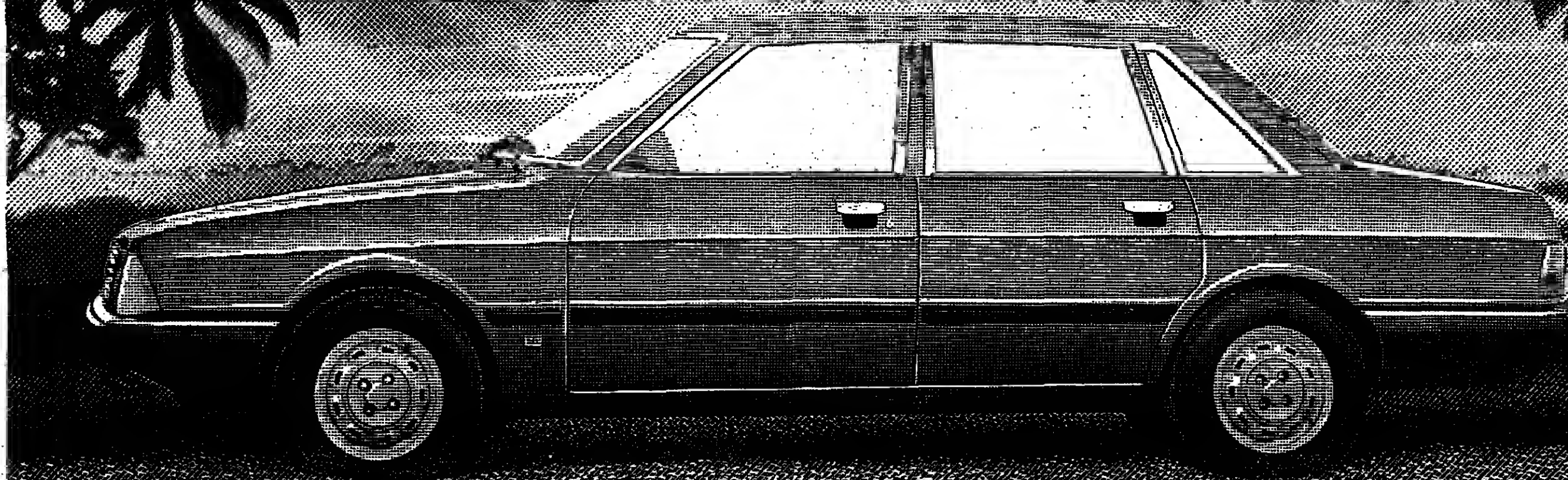
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Cuba ask  
for talks  
on Bahian  
attack

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# TALBOT

ON THE MOVE



## WORLD TRADE NEWS

## Honda, Daimler to consider joint venture in S. Africa

By Richard C. Hanson in Tokyo

HONDA MOTORS will enter talks with a South African affiliate of Daimler-Benz later this month on a possible technical co-operation agreement to produce subcompact cars in South Africa.

Mr. M. B. Shenker, the chairman of United Car and Diesel Distributors (UCDD), owned 27 per cent by the West German company, will arrive in Tokyo on May 19 for talks. Honda, which is involved in a joint production venture with BL in the UK, said any agreement with UCDD would most likely be limited to licensing arrangements.

At present, Honda exports mostly motorcycles to South Africa, which limits the import of completed cars. Toyota, Nissan, Mitsubishi and Toyo Kogyo (Mazda) all produce and distribute cars in South Africa through local companies.

Quentin Peel in Johannesburg adds: The South African Government has given the green light for UCDD to negotiate with Honda on an agreement to introduce yet another range of cars into the South African market, in spite of the fact that

the existing manufacturers admit there is already excess capacity.

The decision to negotiate final details was delayed pending a decision by the South African Department of Industries, although Honda and UCDD reached agreement in principle on the deal last year.

UCDD has given the Government the assurance that it will meet the requirement for 66 per cent local content in the new cars from the start of production, and, therefore, will have to undertake extensive tooling likely to take some 18 months.

The South African Company yesterday refused to comment on the prospects of agreement until it was finalised, and has given no indication of its likely investment. However, it is clear that the smaller models produced by Honda would be a useful complement to UCDD's concentration on luxury Mercedes at the top end of the market.

The company's share of the car market was cut from 4.5 per cent in 1978 to 3.5 per cent last year, in the wake of the petrol price rise.

There are already 11 major car manufacturers in the South African market, which last year totalled 213,000 vehicles. In addition 100,000 light commercial vehicles are sold, in which Honda could also be interested.

The biggest growth in the market has been for small cars, with Sigma's Mazda 323 and Volkswagen's Golf consistently topping the sales charts. Fiat has also just announced plans to introduce its Panda to take advantage of the rapid acceleration in sales in the past six months, as the South African economy has started to take off.

James Ben said that broader co-operation with the Japanese beyond that under consideration with Honda was not being planned at present. A company official pointed out that the kind of smaller cars which might be produced with Honda in South Africa would not undermine sales of the larger Mercedes models there. In 1979 Daimler sold about 70,000 cars and 4,000 commercial vehicles in South Africa. Substantial sales growth was expected this year too.

## French in Saudi Navy arms deal

By Robert Mauthner in Paris

FRANCE yesterday confirmed its position as one of Saudi Arabia's main arms suppliers with an agreement "in principle" signed in Riyadh by the French and Saudi defence ministers, under which France will sell Saudi Arabia large quantities of naval equipment.

The framework agreement is due to be followed by a technical agreement in about one month's time, which will specify the quantities and price of the equipment due to be supplied by France.

However, some of the details have already been revealed by official sources in Paris. The deal is expected to be worth some FFr 7bn (about £700m) and the equipment will be made up mainly of missile-launching coastal patrol ships and corvettes designed for anti-submarine warfare.

The agreement is considered in Paris to be of great political as well as commercial significance. The French who are dependent on Saudi Arabia for as much as 35 per cent of their total oil imports, have seen their position as one of Saudi Arabia's most favoured trading partners greatly strengthened by the naval defence agreement.

Over the past few years, Saudi Arabia has purchased as many as 1,000 AMX-30 tanks from France, equal almost to the armoured strength of the entire French army, as well as a substantial number of anti-tank helicopters and ground-to-air missiles.

In addition, an agreement was concluded recently by the French electronics group Thomson-CSF for the creation of a joint Franco-Saudi subsidiary in Saudi Arabia which will manufacture radar and aircraft radio equipment.

The Saudis are also reported to be interested in purchasing one of France's most advanced combat aircraft, the Dassault-Breguet Mirage-4000, which is the two-engine version of the Mirage-2000 ordered by the French Air Force.

The contract for the creation of Saudi-Arabia's coastal defence force, which is likely to include the building of a new port and other coastal defence installations as well as the training of Saudi personnel by French technicians, was won against tough Italian competition.

## Turkey lifts truck tolls to secure more Iranian oil

By Andrew Whitley in Tehran

IRAN AND Turkey yesterday signed an agreement abolishing tolls on Iranian trucks in transit to and from Europe. In return for the concession Iran has agreed to supply Ankara with an extra 400,000 tonnes of crude oil.

The Tehran agreement comes just five days before the EEC countries and Japan are expected to enforce their threatened economic sanctions on Iran because of the lack of progress towards the release of the American hostages.

Coincidentally the Soviet Union is reliably reported to have recently halted the flow of Western goods along its rail system to Iran on the grounds that the border crossing is congested. The ban is said to have been in effect for about the past three weeks.

These two developments underline the importance of the road route through Turkey, bringing badly needed raw materials and spare parts to Iran, if the U.S. goes ahead with a naval blockade of the Gulf coast. With shipping to Iran's southern ports becoming increasingly difficult, and

because of the need for speed to beat the May 17 deadline, Iranian importers have been increasingly switching to the land route.

The Turkish transit charges, introduced in response to the vast increase in TIR trucks travelling to Iran after 1973, were a major bone of contention between the two countries in the Shah's day. While recognising the sensitivity of the timing of their abolition of tolls for Iranian trucks, Turkish officials clearly feel their desperate need for oil is of greater importance.

The new oil supplies, equivalent to about 3m barrels, are being sold on the "most favoured nation basis" — the lowest price charged any other customer — this is interpreted by Turkey to mean free of the surcharge imposed by Iran after April 1 and of the common requirement to pay spot market prices for a proportion of the total volume. They are in addition to 1.5m tonnes (11.25m barrels) already contracted for.

In a separate move aimed at easing the shortage of fuel oil in eastern Turkey, officials of the two countries adjoining border provinces recently agreed to relax controls on local trade. The two sides meet periodically to fix new trade quotas, in an effort to control the widespread two-way smuggling of a variety of goods.

Further north, on the Iranian border tens of thousands of tonnes of goods are reported to be piling up at the Julfa customs post because of the slowness of Iranian customs officials in processing the imports. According to a Western freight forwarding concern in one case items despatched a year ago have still to be delivered.

Meanwhile, legislation covering the nationalisation of foreign trade has been passed by the committee of the Revolutionary Council and is expected to come into effect shortly.

The measure will be introduced gradually, at first covering about half Iran's imports. Most of these items, such as bulk foodstuffs and construction materials are already being handled by Government agencies or state monopolies.

## Tehran may get Polish plants

By Christopher Bobinski in Warsaw

POLAND is hoping to pay for future supplies of Iranian oil with sales of industrial equipment, agricultural construction services and participation in Iran's educational development programme.

Last week a Polish delegation held talks in Tehran and proposed a 10-year agreement for supplies of an unspecified amount of Iranian oil. According to Mr. Antoni Karas, a Polish deputy trade minister, there are prospects for the construction in Iran of a dyestuff factory and a plant producing textile machinery spare parts.

The Iranians also expressed interest in Polish sugar refineries, power stations, mining machinery, rail freight cars and shipping. Further talks are to be held this year, Mr. Karas said.

Around 70 per cent of the 17m tonnes of oil Poland at present imports comes from the Soviet Union. Up to now Iran has supplied around 1m tonnes

a year. But the Soviet inability to fulfil Poland's growing oil requirements means that increasingly the country is looking for supplies elsewhere.

But the high price of Iranian oil and traditionally low Polish exports to Iran means that either Poland will have to increase sales or Iran will have to extend favourable trade conditions if oil supplies from that country are to figure with any prominence in Poland's oil balance.

## Bandar Khomeini split remains

By Andrew Whitley in Tehran

JAPANESE officials were "hopeful" that the latest rupture in talks with Iran over the huge Bandar Khomeini petrochemical complex will be temporary. There has, however, been no progress in narrowing the differences of views between the two sides.

Reports over the weekend, meanwhile, were confirmed that the Iranian now in charge of the joint venture Iran-Japan Petrochemical Company (IJPC) issued unilateral orders to reduce the Japanese staff working

for IJPC, including those in the Tokyo office, by 12 employees. This in itself is in line with previous indications that the Iranian partner wanted to cut back on staff, but the abruptness of the notification (without asking those involved in Tokyo).

Last week, Iran ordered six of ten Japanese employees in Tehran to return to Japan, and subsequently reviewed the entire 173 person, IJPC workforce. So far they have approved the salaries of 70

workers, mostly engineers, and ordered the 12 dismissals.

More fundamentally, the Iranian and Japanese remain split over how to proceed with the completion of the complex, now more than 85 per cent built. The most intractable problem is the Iranian refusal to renegotiate higher payments for Japanese contractors, who are required to continue work on the complex. The Japanese contractors themselves have refused to go back to work until assurances of new contracts is given.

## HK group fined in 'counterfeit' goods case

By Philip Bowring in Hong Kong

A HONG KONG garment manufacturer has been fined for falsely declaring goods actually made in China to be of Hong Kong origin.

The case is the first of its kind involving China and came to light when the Hong Kong company applied for a Hong Kong certificate of origin. The manufacturer had supplied materials to a factory in Swatow, China, which made them up into blouses which were to have been exported to Sweden and West Germany.

The case has caused concern in Hong Kong which needs both to uphold the reputation of its certificates of origin and also prevent its scarce garment quotas from being wasted in this way. With several garment manufacturers setting up just across the border from Hong Kong to use cheap Chinese labour, the problem could increase unless, tightly policed.

In the past, false origin claims have usually been the reverse of this one. Involving Hong Kong manufacturers trying to pass off Hong Kong made items as originating in other Asian countries such as Indonesia.

● Hong Kong's financial secretary Sir Philip Haddon-Lave said yesterday that the development of economic relations with China would help to secure the future of Hong Kong.

Sir Philip made the comments on his return from an eight day visit to China during which he met officials in Peking, Canton and Shanghai. Details of his talks were not available, but he said that from now on he expected that there would be regular exchanges between Hong Kong and Chinese officials, at the national level in Peking as well as the provincial level in Canton.

## China orders U.S. equipment

By Tony Walker in Peking

CHINA has signed an agreement with a U.S. company to manufacture oil drilling bits.

It was announced in Peking over the weekend that the Hughes Tool Company will build a plant in China at a cost of \$250m to manufacture the oil drilling equipment. The plant will be set up at Chengdu, capital of Sichuan — China's most populous province and one where it is thought there are further prospects for oil finds.

The plant will take about two years to build. In the meantime China will buy drilling equipment from the Hughes plant at Houston, Texas.

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## State borrowing falls as tax receipts rise

By David Marsh

THE GOVERNMENT had a lower than usual borrowing requirement last month partly because of the continued buoyancy of tax receipts. For the first four months of 1980, it has had a cash surplus of more than £1bn as receipts from taxation and other income such as public sector asset sales have been enough to offset a sharp rise in spending.

Withdrawals of funds from the banks caused by the flow of payments to the Exchequer have been one of the reasons for liquidity shortages in the money markets in recent months, which the Bank of England has had to relieve by giving special assistance to the banking system.

Treasury figures yesterday showed that the central government borrowing requirement in April was £877m, well below the £1.29bn recorded in April 1979.

Receipts by the Consolidated Fund—mainly made up of taxes

collected by the Inland Revenue and Customs and Excise—rose to £5.09bn from £3.33bn. Receipts in April last year were depressed by industrial action in the Civil Service. But there has also been a sharp underlying rise caused by collection of Value Added Tax levied at the higher rate of 15 per cent as well as receipts of some taxes which were delayed during the main tax collecting season earlier this year.

Consolidated Fund spending, mainly on supply services, rose to £5.58bn from £4.06bn.

April was the first month in the new financial year for which the Government plans a rise in central government borrowing to £9.3bn from £8.2bn in 1979-80. The public sector borrowing requirement—which also includes borrowing by the local authorities and nationalised industries—is forecast to fall to £5.5bn from £9.1bn last year.

## Warrior Resources in £2.1m oil probe

By Ray Dafter, Energy Editor

WARRIOR RESOURCES, an independent oil company largely funded in the UK, has started a £2.1m oil and gas exploration programme.

Its exploration associate, Double Eagle Energy and Resources, is searching for new U.S. reserves in the Cook Inlet, Alaska and central Oklahoma.

The programme marks the latest development of Warrior, which was formed in November by Mr. Jerry Williams. Mr. Williams previously directed Occidental Petroleum's team in the North Sea's Piper and Claymore fields.

Double Eagle has acquired a 62.5 per cent interest in a well being drilled on the west shore of North Cook Inlet on a structure which, the company said, could be a faulted extension of the Granite Point oilfield. The exploration area is adjacent to a lease on which Warrior has acquired an interest in 50bn cubic feet of natural-gas reserves.

In Oklahoma, Double Eagle is earning an interest in nine exploration areas through payment of the majority of exploration costs in a nine-well drilling programme. The prospect areas are in Seminole, Pottawatomie, Logan and Okfuskee counties.

Double Eagle expects to spend at least £575,000 on drilling these shallow wells.

Double Eagle's activities are being funded from £31m (£8.3m) being raised in Europe and Western Canada. Double Eagle is being used as the exploration arm of Warrior, in which about 20 British institutional investors—including merchant banks, insurance companies and investment trusts—have subscribed £37m (£2.6m).

● A UK-based independent oil group, Carless, Cape and Leonard, yesterday confirmed it had found oil in its first exploration well drilled at Humberly Grove, near Basingstoke, Hampshire.

The company said testing of the well would take at least another fortnight. Meanwhile, it could not comment on the find's commercial potential.

The exploration consortium comprises Carless Exploration, part of Carless Capal and Leonard, as operator (28.125 per cent); Mariner Petroleum (28.125 per cent); Cambrian Exploration, part of Candecca Resources (25 per cent); and Hudson Oil UK On-Shore, part of Hudson Petroleum Corporation of Oklahoma (8.75 per cent).

## Eurocanadian in \$38m deal for two carries

By William Hall, Shipping Correspondent

EUROCANADIAN Shipholding has bought two second-hand combination carriers for £200m for four new combination carriers.

The group is also planning to invest \$120m in new container ships.

Eurocanadian is a Canadian-owned international shipping group based in Switzerland. The purchase of the Scandinavian carriers marks a further significant expansion of its British flag fleet, now seven vessels totalling 839,000 dwt.

Late last year Eurocanadian ordered three 70,000 dwt container/bulk carriers at a cost of \$80m from a Yugoslav shipyard. The group is negotiating orders for two more ships of a similar type.

The latest purchases, the 1972 built Norvegia Team and the 1973 built Suecia Team, both 103,000 dwt, will join Eurocanadian's British flag fleet managed by Denholm Ship Management of Glasgow. Altogether Eurocanadian operates a fleet of 42 ships totalling 2.4m dwt in the bulk and container trades, primarily in the Atlantic.

Eurocanadian is owned by Mr. Frank Narby's Dolphin Investments, Helix Investments and Canadian National Railways. Until the beginning of this year it was headed by Mr. Frank Narby, but he resigned as chief executive in order to devote more time to his personal investment interests.

Until recently one of Eurocanadian's major investments was an 18 per cent stake in Furness Withy and a 37 per cent stake in the latter's subsidiary, Manchester Liners. Furness Withy is in the process of being taken over by Orient Overseas Containers an arm of the C. Y. Tung group, one of Hong Kong's biggest shipping companies.

Mr. C. H. Tung, chairman of Orient Overseas, has told Mr. Narby that he intends to give urgent attention to Manchester Liners once the offer for Furness has become fully unconditional.

## Press fund aid to reach £2m

By Brian Ager

THE AID paid out by the Newspaper Press Fund since it was founded 90 years ago is expected to reach £2m this year.

This was said yesterday by Mr. Arthur Tietjen, chairman, at the fund's annual meeting. He said each week the fund paid about £1,000 to needy journalists and their dependents.

Membership of the fund is confined to journalists who work for newspapers, but Mr. Tietjen said steps were being taken to alter the fund's charter so members could be recruited from radio and television.

## Poster fetches £23,000

AT PHILLIPS' New York sale room at the weekend, a Toulouse-Lautrec poster of the Moulin Rouge sold for \$52,000 (£23,000), an auction record price for a poster. It was double the record sum achieved at Sotheby's Parke Bernet, New York, last year for another Lautrec poster.

In London yesterday Sotheby's continued its dispersal of the Boneyman collection of scientific books which it bought for a reputed £2m. A further £116,185 was raised to produce

a running total of \$1,949,000, with still almost half the collection to go.

Top prices yesterday were \$2,000 for a first edition of Kepler's "Tabulae Rudolphinae" of 1629; \$4,800 for a similar book, including a map of the world, the first to show Western Australia; and \$4,000 from Quaritch for Kepler's "Ephemerides."

In a sale of tribal art at Sotheby's an Admiralty Islands wood female figure, 58½ inches high, made 12,500. A Mayombe wood male figure, 48 inches high, believed to be unique, sold for £12,000. At Christie's auction of ceramics a private buyer paid \$4,800 for an extensive Mason's ironstone "Japan" pattern service.

## Engineers to start on CEGB reactor design

By David Fishlock, Science Editor

A TEAM of five Westinghouse Electric engineers will start work next month on designing the first pressurised water reactor (PWR) for the electricity supply industry in the U.K.

The five will move to Britain for two years following the Nuclear Power Company's "activation" last week of the 10-year Westinghouse licence for PWR technology. Westinghouse said yesterday that it expected the engineers to join the NPC design team headed by Mr. John McKean.

Two NPC engineers will move to the Westinghouse nuclear headquarters near Pittsburgh next month to work with a team of about 30 which Westinghouse employs to transfer technology to licensees for its nuclear power systems.

Westinghouse now has four full licenses for its PWR: Framatome (Creusot-Loire) in France, Mitsubishi in Japan, Sigen-Sopren in Italy, and NPC, operating arm of the National Nuclear Corporation, in Britain. Framatome is currently negotiating the terms of its first licence, signed in 1972. Britain has already built a score of naval PWRs under licence obtained from Westinghouse in 1959.

The NPC has a novel outline design for a PWR power station layout which the Central Elec-

tricity Generating Board estimates will cost £3.5m.

The design uses two concentric concrete cylinders, with the reactor in the inner cylinder and the safety and other auxiliary reactor systems distributed between the inner and outer cylinders.

In the British layout, the reactor itself has so far been treated as a "black box," since NPC had little access to detailed design of the PWR before the licence was activated.

But the reactor NPC has selected in collaboration with the CEGB is a 1,100 MW unit produced by Westinghouse and Bechtel, the Californian architect-engineering group. Nine reactors of this design are already operating. Five more will be ready to start up this year, and another seven by 1982—a total of 21 before

Britain can expect to start building its first PWR.

Westinghouse is setting up an emergency response centre in the U.S., with a staff able to advise any operator in trouble. The idea of satellite links for fast communication is being studied.

The first major transfer of technology to Britain will cover design details for every part of this reactor, but the licence also allows NPC to draw technology as required from other Westinghouse designs.

A second major transfer of technology under the licence will take place later when Britain is ready to manufacture key components such as pressure vessels, steam generators and reactor "internals." But it is unlikely that these could be purchased in Britain at competitive prices for a single reactor, such as the CEGB is planning at present.

## Cumbrian mine to close

BECKERNET Ore Mines in Cumbria will close next year with the loss of 180 jobs. The British Steel Corporation said yesterday it can no longer compete against the low prices of foreign ore.

The closure has been in the

pipeline since the mid-1970s.

Another reason for the closure is the poor quality of ore from the mine, which has declined in the past few years. Beckernet Mines produces about 3,000 tonnes of ore a week.

## Support for institutions criticised

By Andrew Fisher

THE GROWING encouragement given to large financial institutions to make stronger use of their shareholding power in British companies was criticised yesterday by Mr. Owen Green, managing director of the BTR industrial group.

He warned that companies could well shift their acquisition activity overseas if institutional shareholding weight inhibited the free market mechanism of the Stock Exchange.

He told the annual meeting of the rubber and engineering group that he was especially concerned about political support for institutional action. He said it was not up to the shareholder, institutional or otherwise, to work out ways of supervising companies.

His views contrast with those of Sir Geoffrey Howe, Chancellor of the Exchequer, who said recently that institutions—comprising mainly pension funds and insurance companies—should devise effective means of exerting powers of supervision.

But Mr. Green said shareholders' responsibility "should be discharged by ensuring that their company has and maintains a satisfactory board of directors."

Market forces could be impaired if institutions changed their attitudes and were induced to "use their power in some new but unspecified manner."

## Renold closure plan to cost 800 jobs

By Hazel Duffy, Industrial Correspondent

RENOLD PLANS to close a motor components factory in Coventry with the loss of 800 jobs, it said yesterday. The closure follows several announced redundancy programmes by other companies supplying the motor industry, most of them in the Midlands.

Renold blamed declining demand for the closure. It says this "has led to production levels that are no longer viable. The situation has been aggravated by the long engineering dispute which took place last year."

There is also an element of changing technology in the product, a precision chain, made at Coventry. According to Renold, one of its major customers, Ford, is increasingly replacing engine chains by belts.

Renold employees at Coventry received 90-day redundancy notices yesterday, but the closure may be carried out over a longer period than the statutory redundancy time.

Renold said it will be having discussions with its customers, mainly BL and Ford, about the company's 12 months' stock, and will be "reviewing longer-term prospects over the next few months."

The company said this might include the manufacture of the product elsewhere in the UK or abroad. No estimate of the closure costs has been revealed, although they could exceed £1m. The 800 strong work-

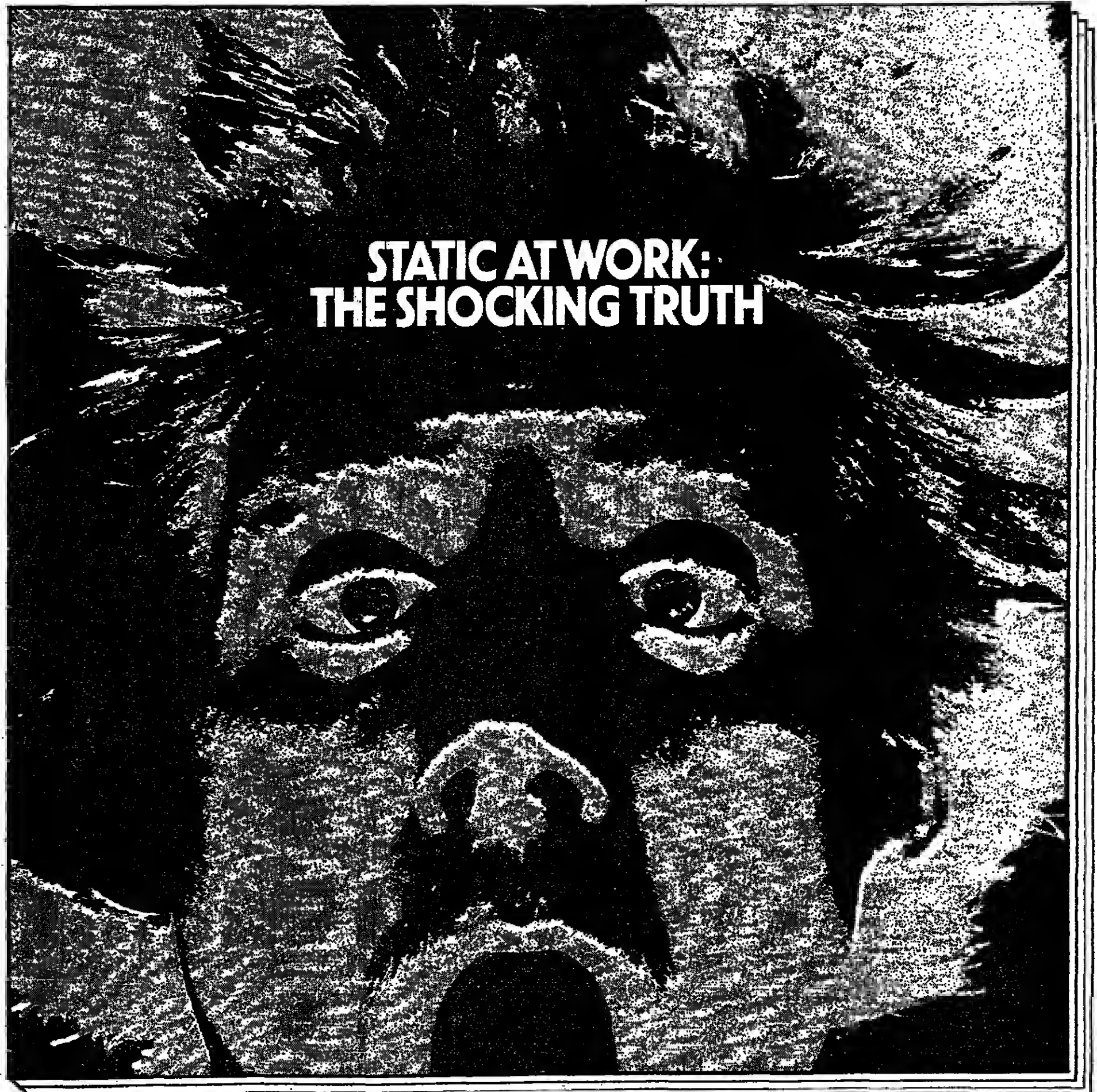
force, of which about half are women, comprises about 10 per cent of Renold's UK workforce. The factory is part of the power transmission division of the group.

Trade unions are already concerned at the rising tide of redundancies in the motor components industry. Other companies which have said recently that they are planning redundancies include: Wilmot Breeden (300 at its two Birmingham factories), GKN (80 at Thomas Haddon and Stokes), Burman and Son (up to 200 in Birmingham) and Lucas Electrical, which hopes to cut back 2,000 at 13 factories.

## BR introduces bus services

BRITISH RAIL entered the bus business yesterday. Two coaches started carrying fare-paying passengers 32 miles between Peterborough, Cambridgeshire, and Kettering, Northamptonshire, to replace passenger rail services axed for economy reasons 15 years ago.

The service links two inter-city routes into London from the Midlands and the East Coast, and coincides with the rail timetable. It also brings Corby and Oundle in Northamptonshire into the BR network. The 45-seat coaches are painted in BR livery and cost £2,000 each.



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## UK NEWS

# Planned spending period to be cut to three years

BY DAVID MARSH

THE GOVERNMENT plans to lower the period over which it makes public spending commitments from four years to three. This move reflects the often-expressed scepticism of Treasury ministers about the value of setting out detailed spending plans for too far ahead.

The decision was announced last week by Mr. Nigel Lawson, Financial Secretary to the Treasury, during the closing stages of a House of Commons debate on public spending. The plan will be put into effect in next year's White Paper on public expenditure, and marks a major departure from Treasury practice over the last decade.

The White Paper published next year will give public spending figures only for three years ahead, up to 1983-84, instead of the four which has been customary since the spending

White Papers were first published in December, 1969. The 1983-84 financial year is the final period of the spending plans set out in this year's White Paper issued last March.

As Treasury ministers have frequently poured scorn on the habit of past governments of making detailed forecasts about the future, the move is no great surprise. But it is likely to attract some criticism.

Mr. John Biffen, Chief Secretary to the Treasury, has been particularly dismissive about what he has called "the uncertain science" of economic futurology.

When he was commenting on this year's White Paper at a Press conference in March, Mr. Lawson said the relative lack of details in it about years after 1980-81 was "wholly realistic". To set down more forecasts

about what might happen in the future could be "spurious and misleading".

Despite this, the decision may attract some criticism. The all-party Treasury and Civil Service Committee, making its highly critical report earlier this month on the Government's public spending strategy, complained about the lack of information about assumptions underlying Government policy in later years. It particularly emphasised the absence of any detailed breakdown of spending by broad economic category beyond 1980.

Despite the plans to top one year off the public spending programme, the Government may still in future years supply figures for four years ahead in setting out its medium term economic strategy for public sector borrowing and money supply growth.

# Move to close Welsh foundry

BY ROBIN REEVES

PROPOSALS for the closure of the British Steel Corporation's Landore foundry, near Swansea, causing 228 redundancies, were presented to union officials by BSC's management yesterday.

The shutdown of the foundry, which makes general castings, stems mainly from BSC's proposal to halve steel production at its two major South Wales steelworks, Port Talbot and Llanwern.

The corporation is seeking agreement with steel unions on this item in its retrenchment package, involving 11,500 redundancies, by June 30.

BSC's South Wales foundry work will in future be concentrated at its Dowlais foundry, near Merthyr Tydfil, which has also suffered a recent cut of more than 100 in its workforce.

At yesterday's meeting, the management confirmed a 12-month notice of closure. However, it indicated that ex-gratia severance payments would be negotiated in exchange for an agreement on closure by August 1.

Landore traditionally manufactured logot moulds and bottom plates for BSC's steel production plants. More recently this business was concentrated at Dowlais and BSC attempted to develop Landore as a general castings foundry manufacturing a wide range of products, including cast iron garden furniture.

However, BSC's Port Talbot and Llanwern cuts will reduce its overall requirement for logot moulds. Therefore, management has decided that only one South Wales foundry is justified.

# Timber industry upset over decision to scrap £100m plan

THE UK timber industry has been severely disappointed by the move to abandon plans for a £100m newsprint plant at Fort William, Scotland.

Foresters in the UK are disappointed by the decision of Wiggins Teape, the paper group, and Consolidated Bathurst, of Canada, newsprint manufacturers.

The foresters had hoped that the plant's development, which would have saved the 14-year-old loss-making Wiggins Teape pulp mill at Fort William, would have pointed towards consistent growing demand for domestically grown roundwood timber.

Higher demand for the raw material would have added strength to tree-growers' demands for a long-term Government strategy for the industry.

While the pound remains strong and the dollar weak, any large investment in a major UK newsprint plant would be problematic, even with large-scale Government grants and a favourable pricing agreement from foresters.

The two existing UK producers of newsprint, Bowater and Reed, have been losing money on newsprint production for some time.

Newsprint is priced in American dollars, as it is an international commodity, and under a currency agreement negotiated with Scandinavian producers, the sterling invoice price is reduced, according to a complex formula, if sterling moves above \$1.95. As a result effective UK newsprint prices have not increased for some time.

The domestic industry's production has tumbled in recent years. In 1969 home production peaked at 790,000 tonnes a year. Last year the UK produced 364,000 tonnes—equivalent to just over 25 per cent of the country's 1.4m tonnes consumption.

North American producers of newsprint have besides a favourable exchange rate, a further advantage over domestic manufacturers of newsprint. Prices of roundwood, the smaller timber used for pulp, are at least 50 per cent lower than those in the UK.

In North America extensive areas of natural forest are still available for felling. The cost for harvesting is lower than in the UK because of the scale of operations, and the trees are

larger, thus reducing unit costs.

In the UK, where prices for roundwoods are comparable to Scandinavia's, the trees, planted over the past 50 years by the state-owned Forestry Commission and private landlords, bear heavier overheads and are in less economic units for harvesting.

The failure of the Fort William enterprise poses Scottish timber growers with an immediate problem of what to do with their roundwood timber. The majority of pine

and board mills such as the Thames Board Mill in Worthington, where an £50m expansion scheme is underway.

The chipboard industry, which underwent a severe depression a few years ago, also uses roundwoods.

About one third of the roundwoods which would have been consumed at Fort William will now be absorbed at the Caber-board chipboard plant near Strirling.

Mr. Dallas Mithen, commissioner for harvesting and

would be operated on a sale or lease-back basis, on a limited scale. But any large scale transfer of plantations would detract from the Forestry Commission's activities.

The commission, set-up in 1919, owns 1.25m hectares of land, 875,000 hectares being under plantations, about 1 being now ready for harvesting. The investment is thus about to mature, offering the finance for further land acquisition and planting.

## Varied

Private landlords and the commission have a good working relationship and share similar goals, one being the planting of more trees.

Not everyone shares the enthusiasm for more planting. Conservationists argue that the landscape, particularly in Scotland, is being destroyed by the large-scale planting of spruce and pine trees.

Environmentalists and ecologists also argue that if more trees are to be planted they should be of more varied species with different life cycles.

Forests in which all trees are the same age suffer grave problems of disease when growing, and problems of erosion when felled, they argue. However, those examining the potential of trees as an investment reply that diversification of species would cost more money.

## National Savings sales drive

NATIONAL SAVINGS yesterday launched its biggest and most expensive publicity drive, to boost sales of premium bonds, retirement certificates and other services. It is based on introduction of Melvyn the Money-Spinner, a rival for Buzby, the telephone bird, Melvyn will be screened in TV advertisements from July.

The drive was launched yesterday in Torquay at the annual conference of the National Federation of Sub-Postmasters, the 21,000 sub-postmasters in the UK being agents for National Savings.

## Sealink to offer £10 French trip

By Our Shipping Correspondent

SEALINK, British Rail's ferry operation, plans to woo the cross-Channel day tripper by offering £10 return fares from London to France.

The fare includes rail travel from Charing Cross, Cannon Street, London Bridge, Waterloo East or Victoria, to Dover or Folkestone and cross-Channel sailings by Sealink ships to either Calais or Boulogne. For an extra £1 the crossing can be made by hovercraft.

Sealink offered similar £10 fares last summer, and the renewed offer is aimed at maintaining the group's traditional dominance of the passenger market. Sealink is also offering 10 days on the Continent for a car plus two adult passengers at the same price as a five-day return fare.

Other ferry operators are waiting to see whether Sealink continues its selective price-cutting into the peak holiday season. The other major cross-Channel ferry operator, Townsend Thoresen, has been roughly matching Sealink's monthly offers.

## National Trust faces problems of inflation

FINANCIAL TIMES REPORTER

INFLATION was threatening the work of the National Trust, said Mr. Michael Heseltine, Environment Secretary, opening an exhibition on the Trust's work in the House of Commons yesterday.

The exhibition, open for a fortnight in the Upper Waiting Hall, was "a blown-up pamphlet for people who 'amble past,'" said Lord Gifford, Trust chairman. He stressed the Trust was neither financed nor operated by the state, needing genuine popular support and more members. With inflation at its present rate, the Trust would

be unable to accept more historic houses.

Membership of the Trust has grown by 700,000 in the past decade and now totals about 850,000.

The Trust preserves nearly 500,000 acres of Britain's finest countryside, and 400 miles of unspoilt coastline, and opens to the public over 200 houses and gardens of historic interest.

It costs over £14m a year to run the organisation. Part of this comes from rents endowments and visitors. But the Trust is becoming increasingly dependent on membership subscriptions, legacies and gifts.

## £40m Glasgow development plan lodged

FINANCIAL TIMES REPORTER

A PLANNING application for a £40m development at St. Enoch Square, in Glasgow's centre, was lodged yesterday.

New offices for the Ministry of Defence, at a cost of £15m, and a 221m private commercial development to include a 250-bedroom hotel, are intended to

form part of the project.

The hotel will replace the St. Enoch Railway Hotel, built in 1895 and closed in 1973. The adjacent glass-covered St. Enoch railway station, the Scottish terminal of the old London line, was closed in 1968. Both buildings were demolished.

The present 14-acre site has

been landscaped by the Scottish Development Agency, at a cost of £6m.

The Government Property Services Agency is responsible for developing the central part of the site into five office blocks, which are expected to be completed by 1986.

## THE BAD NEWS.....

Your regular copy of the Investors Chronicle has been missing in recent weeks. The reason is that we've been unable to publish because of the printing industry dispute (even though we were not party to it).

## THE GOOD NEWS.....

The Investors Chronicle will be back soon. And, if you're wondering what happened to all that detailed company analysis we've been unable to publish, here's the answer. When the Investors Chronicle returns, the first few issues will contain more information than ever, including every single company analysis you were unable to read while we were away.

## MAKING THE BEST OF THE BAD NEWS.....

While our printers are out, we at the Investors Chronicle are working harder than ever updating analyses, writing features and piecing together all those sections which make the Investors Chronicle the single most important weekly journal of business, finance, investment and banking.

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# UK NEWS

## Pubs 'seem to have lost ground' to clubs and take-home trade

BY GARETH GRIFFITHS

PUBS SEEM to have lost ground last year to clubs and the take-home trade in their share of total beer sales according to stockbroker Phillips and Drew in its quarterly review of the drinks industry.

The increase in pub takings in the last quarter was well below that of the Retail Price Index, while the rate of increase in pub costs is expected to be well ahead of sales for the rest of 1980, says the review.

Turnover in pub increased 12 per cent in the last quarter of 1979 compared to the 1978 figure. The Retail Price Index for drinks increased 17 per cent. But overall sales in the industry were maintained.

The bulk of breweries' profits come from the sale of beer in their tied or managed public houses. The review forecasts a rise of between 10 to 15 per cent in profits on wholesale beer, and a 2 per cent growth in production.

A further round of price increases is likely soon. Last month Whitbread increased its wholesale price for beer by

£1.50 a barrel. Courage, Watney Mann and Truman are likely to put up their prices soon.

The industry's analysts are convinced that price rises do not have a major impact on consumption and that the effects of the recession will fall more heavily on consumer durable expenditure rather than drinks.

The report suggests brewery companies have been successful in maintaining margins on their wholesale beer sales. Since February the brewery sector has outperformed the Financial Times all-share index by 8 per cent.

Irish whiskey exports are likely to continue to expand by about 15 per cent per annum, according to the report. Irish has not been as vulnerable as Scotch whiskey in the American market because of its minute share, about 1 per cent, and also because of the loyalty of Irish-Americans to Irish whiskey. A similar loyalty is found among Irish consumers in London and Liverpool.

## Independent airlines aim to offer cheaper fares

CHEAPER AIR fares throughout Common Market countries is one of the major aims of a new association formed by 17 independent airlines.

L'Association des Compagnies Aeriennes de la Communauté Européenne (ACE), also intends to protect its members' interests and offer the widest possible choice of low-cost air travel. The first president is Mr. Derek Davidson, managing director of Britannia Airways of the UK.

The association says the air transport industry in Europe is "heavily regulated and burdened with restrictions that hamper the free flow of passengers and freight, and protect the national airlines, many of them Government-owned, contrary to the aims of the Rome Treaty."

ACE's task, therefore, is to try to liberalise the present structure of European air transport, and to expand low-cost inter-regional air services within the Common Market.

As one of its first acts, the association is presenting a

paper to the European Parliament's transport committee, on The Airline, Network and Regional Services.

In it, ACE proposes various categories of inter-regional air services, where independent airlines can improve on existing services.

The association is also concerned at the "monopolistic behaviour" of the national airlines, and the protection given to those airlines by their Governments.

In addition to Britannia Airways, the members of ACE are: Air-Belgium International; Conair; Maersk Air and Sterling Airways of Denmark; Euralair and Minerve of France; Air Europe; Dan-Air; Monarch and Orion of the UK; Aeral and Iavia of Italy; Transavia of Holland; and Hapag-Lloyd, Germania and LTV of West Germany.

The association's secretary is Mr. A. Vermeire, Abellag Aviation Building, Brussels International Airport.

## EEC aid urged to deal with heavy lorry damage

BY LISA WOOD

LORRIES WEIGHING more than 32.5 tonnes should not be allowed to enter Britain unless repair bills for damage they caused to roads were paid by the European Economic Community, the London Boroughs Association said yesterday.

New EEC proposals would require member-countries to adopt standard regulations allowing easy movement of freight across borders. A report on the proposals, submitted to the LRA's housing and works committee, said that in Britain this would mean an increase in gross weight of 37 per cent from the present limit of 32.5 tonnes.

Mr. Simon Randall, committee chairman, said: "Roads in this country are being damaged by the present influx of heavy lorries. If the weight allowance is to increase it will speed up

the decay of existing routes." Mr. Randall said an increase in lorry weights without financial aid for highway maintenance was unsupportable. He will put his views to the Armistage Inquiry, which is examining the problems of lorries, people and the environment.

## Shetland TV relays set up

ABOUT 2,150 people in the Shetlands will be able to receive colour TV when two new ILBA relays, Eithel Head and Scalloway, start transmissions on Friday, carrying Grampian Television programmes.

The ILBA network comprises 51 main high-power transmitters supported by about 400 lower power local relays.

## APPOINTMENTS

### Pilkington group posts

Mr. Denis Cledwyn-Davis has been nominated by PILKINGTON BROTHERS as chairman of the Pilkington Flat Glass Europe Division Board and of Pilkington Flat Glass Limited. He succeeds Mr. Denis Call who is to relinquish those posts in September 1980 on taking up his appointment as deputy chairman of Pilkington Brothers. Mr. John Fashley is to succeed Mr. Cledwyn-Davis as managing director, Pilkington Flat Glass Europe Division and Pilkington Flat Glass from September. Mr. Jim Belliwell, deputy managing director, Triplex Safety Glass Company, will replace Mr. Fashley as managing director, Safety Glass Europe Division and Triplex Safety Glass.

Mr. Christopher Laidlaw has been appointed a director of BARCLAYS BANK INTERNATIONAL with effect from May 22. Mr. Laidlaw is a deputy chairman of the British Petroleum Company and chairman of BP Oil. Mr. Peter Kerridge, formerly a director and treasurer of Amer Bank, also vice president of American Express International Banking Corporation, has become an executive director of BARCLAYS MERCHANT BANK.

Mr. Richard J. Hagon, Mr. Stephen J. Otterburn and Mr. Nick Pasricha have been admitted to partnership of ARTHUR YOUNG MCELLENDON MOORES AND CO. in the London office.

Mr. Jack Willett has been appointed president of INTERNATIONAL STANDARD BRANDS INC., New York. He was previously senior vice president of International Standard Brands headquartered in London. Mr. Tony Pandey has become vice president of International

Standard Brands Inc., based in London.

Mr. P. N. Gerrard is now senior partner of LOVELL, WHITE AND KING in place of Mr. B. L. R. Hatchings, who has retired. Miss C. H. Davies, Mr. D. Farrington and Mr. R. P. H. Sligh have become partners.

Mr. Charles Bromley has been elected president of the ELECTRICAL CONTRACTORS' ASSOCIATION.



Mr. Charles Bromley

Mr. Bryan Ford and Mr. Michael Steward have been elected senior and junior vice-presidents respectively.

Mr. R. E. G. Sheppard has been appointed managing director of CARL SCHENCK (UK). He takes over as chief executive from Dr. Alex Xingas who is returning to Germany to his position as sales director with the group.

Mr. W. C. Douce has been elected chief executive officer and president of the PHILLIPS

PETROLEUM COMPANY. Mr. W. F. Martin, who was chairman and chief executive officer will continue as chairman.

Mr. R. J. Clements has been appointed the manager of LLOYDS BANK INSURANCE SERVICES. He succeeds Mr. S. L. H. Roberts, who has retired.

The Secretary for Industry has appointed Dr. J. C. Cain to be managing director of the NATIONAL RESEARCH DEVELOPMENT CORPORATION from June 1. He will succeed Mr. W. Mankinson, who retires at the end of May after six years as managing director. Dr. Cain has been chief executive of NRDC's Department of Applied Science since 1971 and a member of the Corporation since 1973.

Mr. Richard Venables, chairman of Ogilvy Benson and Mather and a director of Ogilvy and Mather International, is to be the new chairman of the re-constituted APPLE AND PEAR DEVELOPMENT COUNCIL.

Mr. G. S. Kidd has resigned his directorship of FRENCH KIER HOLDINGS and has left the group's employment.

Mr. James B. Walker has been appointed chairman of BRAZIL CAPITAL SERVICES AND BRAZILIAN EQUITY HOLDINGS and Mr. Andley Twisten-Davies, who is resident in Rio de Janeiro, has been made a director of both companies.

**Correction**  
The photograph published yesterday with the appointments of Northern Engineering Industries was incorrectly captioned as Mr. C. R. Thompson of that company.

## BUILDING SOCIETY RATES

Every Saturday the Financial Times publishes a table giving details of BUILDING SOCIETY RATES on offer to the public. For further details please ring 01-248 8000 Ext. 266

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Application has been made to the Council of The Stock Exchange in London for the whole of the issued and conditional share capital of BASF Aktiengesellschaft ("BASF") to be admitted to the Official List.

As at 9th May 1980 the issued and fully paid share capital of BASF amounted to DM1,970,963,300. There is DM245,813,500 of conditional capital, which is authorised for issue against the exercise of warrants attached to certain bonds issued by BASF and a subsidiary and as deferred consideration in respect of the acquisition of Wintershall Aktiengesellschaft. In addition, the Executive Board has been authorised, subject to the consent of the Supervisory Board, to increase the share capital by up to DM218,000,000 by issuing not later than 1st June 1982 shares for cash or for some other valid consideration.

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# "British Steel has been performing technical marvels bringing its plants back into production."

SteelWeek-April 21.

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"Since the strike, the British Steel Corporation has been performing technical marvels bringing its plants back into production cleanly and quickly. But it fears that it will be constrained by lack of demand from its customers."

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# UK NEWS — PARLIAMENT and POLITICS

## Libyan envoys to be expelled

BY PHILIP RAWSTORNE

FOUR LIBYANS are to be withdrawn from their country's mission in London at the British Government's request.

The move is designed to end the harassment of Libyans resident in Britain. Mr. Douglas Hurd, Minister of State, Foreign Office, told the Commons yesterday.

The Government had been concerned for some time about the activities of Libyan Government officials which amounted to political intimidation of Libyan expatriates, he said.

Libyans had also been involved in recent weeks in a series of crimes.

Though none of the four had been directly implicated in the murder of Libyans resident in this country, they had been involved in "activities which are incompatible with their functions," Mr. Hurd told MPs.

"We are emphasising that we expect them to leave within the next few days."

Mr. Hurd said that Sir Anthony Acland, a senior Foreign Office official, had delivered a personal note to Colonel Gaddafi from Mrs. Margaret Thatcher about the situation.

Discussions were being held with the Libyan authorities to resolve questions about the status of the Libyan People's Bureau which had taken over the functions of the Libyan Embassy in London, he said.

"It must be established that the People's Bureau will be fulfilling the functions of a diplomatic mission under the Vienna Convention on Diplomatic Relations."

Mr. Hurd said that the Libyan Government wanted to improve relations and establish closer co-operation in the commercial and economic fields.

"We share this desire but our relations cannot improve unless the campaign of harassment ends immediately," he declared. "The Government's move was given a general welcome by both Labour and Tory MPs."

Mr. Peter Shore, Labour foreign affairs spokesman, said the murder in London of two distinguished Libyans was "a challenge that no Government could fail to meet."

Mr. Hurd said that the Government was determined that the law should be respected. The visa system would be more rigorously controlled and consultations were being held with other countries who had experienced similar problems.

"We are determined that London should not be a battleground," he told Mr. Jo Grimond, former Liberal leader, who said that the public had been incensed by these "vendettas by foreigners."

Mr. Peter Emery (C., Hoxton) called on the Government to X-ray any diplomatic bags which they suspected might be used for importing weapons.

Action should be taken against any embassy proved to be involved in such misuse of diplomatic immunity, he said.



HURD: determined London should not be a battleground covered that diplomatic bags were being used to import firearms but embassies had been warned.

## PM steps up pressure for Games boycott

By Richard Evans, Lobby Editor

THE PRIME MINISTER is to put further pressure on the British Olympic Committee to dissuade British athletes from attending the Moscow Games in July.

A letter will be sent late this week or early next to Sir Denis Follows, chairman of the committee, in the hope that there will be a change of mind before the acceptance deadline of May 24.

A significant factor in Mrs. Thatcher's campaign to mount an effective boycott could be the decision of the West German Olympic Committee on Thursday. If, as expected, they recommend a boycott, the Prime Minister's case will be greatly strengthened.

● **MONOPOLIES:** The Government is to raise with the Director-General of Fair Trading the practice of some newspaper wholesalers withholding supplies to some retailers.

Mr. John Selwyn Gummer (C., Epsom), claimed during questions in the Commons yesterday that some London wholesalers were withholding supplies to create "monopolies" in some areas.

A registered agreement under the Restrictive Trading Practices Act in relation to the supply of newspapers made it impossible for some people to get the newspapers if the wholesaler refused to supply them.

● **CAR PARKING:** There are no Government plans to lift car parking restrictions for motorists on the TUC Day of Action on Wednesday, the Earl of Gowrie, Employment Minister, told the Lords yesterday. Precise parking arrangements on the day would be a matter for the police. But it was intended to keep radial routes open.

● **MET REPORTS:** Publication of the daily weather report from the Meteorological Office is to be discontinued at the end of this year, the Government announced yesterday.

Expected annual saving would be £150,000, including six civil service posts in the Met Office and closure of the specially maintained HMSO press there.

● **SAFETY:** The 1974 International Convention for the Safety of Life at Sea will come into force on May 25, Mr. Norman Tebbit, Trade Under-Secretary, announced in the Commons yesterday.

Britain would also be introducing new requirements for inert gas systems in foreign ships earlier than stipulated by the 1974 convention.

## CAA £12m radar contract lost 'due to delivery doubts'

BY IVOR OWEN

DOUBTS ABOUT the capacity of British firms to meet delivery dates was a prime reason why the Civil Aviation Authority recently placed contracts for new radar equipment worth over £12m with foreign companies, Mr. Norman Tebbit, Under-Secretary for Trade, told the Commons yesterday.

Amid Government cheers, he suggested that this was a consideration which should be borne in mind by those engaged in supporting the "huffdustry" of the TUC Day of Action tomorrow.

Such action, Mr. Tebbit stressed, could only damage the chances of British industry.

Mr. Stanley Clifton Davis, a Labour spokesman on trade, maintained that it was disgraceful that Mr. Tebbit should have sought to place responsibility for the fact that orders had gone to foreign companies on the workers of the British firms concerned.

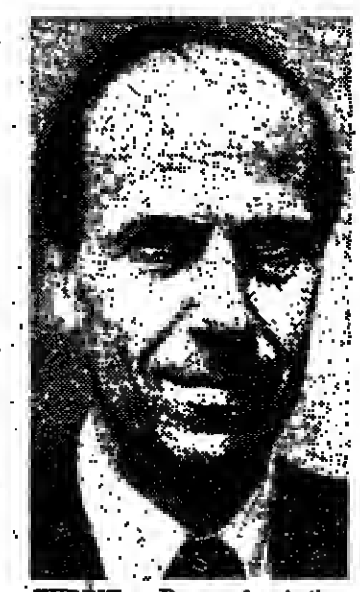
Mr. Tebbit retorted that he had not sought to put the blame for the fact that the CAA contract had gone to foreign firms on an event which had not yet taken place.

"But at a time when the prime criticism of this country's exports is that they are not delivered on time, I regard it as a combination of Luddism, idiocy and buffoonery to further delay British industry in support of an idiotic gesture on Wednesday."

Mr. Cranley Onslow (C., Woking) asked the Minister to confirm that the U.S. firm Westinghouse had been eliminated from consideration for the contract because its offer was misleading.

He urged that this should be made clear to other firms who might be contemplating placing orders with Westinghouse.

Mr. Tebbit said it was right that the one time Westinghouse had appeared to be the front runner for the contract, but on closer examination it had been found that the capability of the equipment on offer fell very



TEBBIT: Day of Action "could only damage" British industry

short of the claims made by the company's salesmen.

The Westinghouse equipment had also been of a lesser performance than that offered by the successful firm at a lower price.

Mr. Tebbit told Mr. Onslow: "I am sure that the lesson will be learned by further prospective customers."

● Another plea for Government action to bring down the sterling exchange rate was made by Mr. David Knox (C., Leek).

He said the strength of the pound was keeping British manufacturing companies out of export markets. He warned that if the Government did not take corrective action, the demand for import controls would become irresistible.

Mr. Reginald Eyre, Under-Secretary for Trade, replied that inflation remained the main threat to Britain's economic success, and stressed that the strength of sterling helped to combat it.

Mr. Anthony Grant (C., Hillingdon) said that exporters were being hit by high interest rates as well as the strength of sterling.

He said the Treasury should be urged not to be dogmatic but to switch to lower interest rates at the earliest possible moment.

Mr. Eyre answered: "The Government wants interest rates to come down as soon as possible, but not at the expense of sabotaging its economic policy."

## Electricity price rise criticised

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

THE LATEST 10 per cent increase in electricity prices announced yesterday came in for criticism in the Commons.

Mr. John Cartwright (Lab., Woolwich E.), complained that the price rise, which had been brought forward to August instead of October, was the second in four months.

"We seem to be getting to a situation where gas and electricity keep on chasing one another with the consumer struggling very hard to keep up," he declared.

"We cannot just go on jacking prices up every few months and finding a few pieces of sticking plaster to bandage the worst of the casualties."

Opening a short debate on the impact of rising fuel prices, he said that between 1973 and 1979 electricity prices had risen by a "staggering 138 per cent."

Describing the impact on the consumer as "frightening," he recalled that yesterday's announcement followed a 17 per cent increase in electricity in April, 8 per cent in September 1979, and 8.6 per cent in June

1979.

This meant that the price per unit would have risen by between 30 and 40 per cent on a year ago even before the 10 per cent rise during August.

Electricity prices over a five-year period would have quadrupled.

Mr. Cartwright had initiated a debate expressing the concern of the House over the impact of "ever rising fuel prices" and the growing level of disconnections. His motion called on the Government to end wasteful energy consumption.

He said that studies made by the Left Labour Government had predicted that fuel prices generally would double by the end of the century. But the way things were going under the present Government, they would treble or quadruple by the time.

At the same time, the energy conservation programme was slipping fast and the lack of encouragement for home insulation had become a scandal, he said.

Rising fuel prices were putting people at risk and there had been a significant increase in deaths due to hypothermia.

Turning to gas, he said that people who were set to shiver through the coming winter could not understand why this was so at a time when the gas industry was making a profit of £600m this year.

A Conservative backbencher, Mr. Jocelyn Cadbury (Northfield), urged the Government to break the monopoly of the British Gas Corporation as a producer and distributor. If private companies were allowed to compete then prices would be determined by market forces, he said.

This would remove from future Governments the embarrassment of having to intervene.

Mr. Cadbury opposed subsidies on fuel on the grounds that the right would be to reap the most benefit. He thought the Government's policy was right—to ration the nation as a whole by price and implement social policies to help the hardest hit.

## 'No chance' of cutting costs of NHS drugs

BY ROBIN PAULEY

TOTAL NATIONAL Health Service expenditure on prescriptions passed the £1bn mark for the first time last year. Although the number of prescriptions might fall, there was little chance of stopping rising costs, Sir Patrick Nairne, Permanent Secretary at the Department of Health and Social Security, said yesterday.

Sir Patrick told the Public Accounts Select Committee that the figure for 1979 was £1,084bn, a rise of £134m over the previous year. This was in spite of a slight drop in the volume of prescriptions from 365m to 362m in 1979. The average cost of a prescription rose from £2.16 to £2.44.

The fall in the number of prescriptions was the first since 1971 and had started before the price of prescriptions to the patient was increased to 45p in July.

"Increased prescription charges may help to level off the net costs but there seems no

chance of reducing gross costs of drugs and prescriptions for the NHS. We must try to achieve a slower annual growth in drug costs and hope that the volume decline in prescriptions will continue," Sir Patrick said.

Mr. Joel Barnett, chairman, said there had been a relentless upward trend in the costs of drugs in the NHS. Was there any evidence to show that the department's campaign to persuade doctors to resist unnecessary demands for cough mixture, slimming pills and tranquilisers, was working, he asked.

Sir Patrick said there had been a stabilisation in prescribing those items and the DHSS was monitoring very carefully the levels of drugs prescribed.

Although drugs costs were a worry, the proportion of total public health spending which they represented had risen from just under 10 per cent in 1970-71 to only just over 11 per cent in 1978-79.

## Civil servants rebuff TUC

By Christian Tyler, Labour Editor

PREDICTIONS THAT there would be little support for the TUC's Day of Action tomorrow and that Government departments will be working normally are coming from local Civil Service union officials.

Signs of a serious revolt, against the TUC's call and the advice in support of the call given by Civil Service union leaders, emerged yesterday at the annual conference in Eastbourne of the Institution of Professional Civil Servants.

Anxious not to be seen as politically motivated, IPCS delegates snubbed their own national executive committee. By a n overwhelming vote they forced withdrawal of circulars from the leadership endorsing token strikes, demonstrations or lunch-time meetings.

Instructions to members not to cross picket lines set up outside Government buildings by IPCS branches or by other unions will also be rescinded.

A Home Office scientist, Mr. Terry Watson, accused his union leadership of being "unwise, misguided and out of touch with the feeling of the membership."

Mr. Ted Edwards, who is employed in the Navy Department, said that most union officials on the ground thought it would be a normal day. That was the view inside other Civil Service unions as well.

Delegates also refused the platform's suggestion that they cut short the morning debate tomorrow to allow people to join a march and rally in the town organised by Eastbourne trades council.

About 50 IPCS officials and staff, members of the white-collar union APEX, had already decided that they would stop work early and join the march. They were meeting last night to consider their plans in the light of the day's events.

These two rebuffs left the national executive angry and dismayed on the first day of a conference for which an unprecedented number of censure motions have been tabled.

A normally restrained affair, the IPCS conference at times looked more like the volatile, rowdy Civil and Public Services Association, representing mainly young civil servants, and which is in conference this week.

## Pilot scheme for full-time branch officers

By Alan Pike, Labour Correspondent

THE EXECUTIVE of the Amalgamated Union of Engineering Workers was yesterday given authority by its rules revision committee to experiment with a pilot scheme of full-time branch secretaries.

But the committee of the union insisted branch secretaries should be elected, like all 200 other officials of the union. The executive had wanted the power to appoint.

At present the union's 2,600 branches are serviced by lay secretaries. Under the rule change the executive will have power, after consultation, to group branches together and appoint a full-time secretary.

The decision that officials must be elected is, however, likely to dampen many union leaders' enthusiasm for the idea.

Sir John Boyd, general secretary, said yesterday that the employers' refusal to budge on pay by the Transport and General Workers' Union and the General and Municipal, both of which had rejected the offer. The Furniture, Timber and Allied Trades Union maintained

## LABOUR

## Robinson refused leave to claim unfair dismissal

BY OUR OWN CORRESPONDENT

Mr. Derek Robinson, the dismissed BL Longbridge, convenor, was refused leave to make a claim of unfair dismissal yesterday.

A Birmingham industrial tribunal ruled that he did not have a good reason for putting in his claim 12 days outside the statutory time limit.

Mr. Richard Smith, chairman, said his two colleagues thought Mr. Robinson's reasons for being late were spurious. "I myself prefer the word 'humbly'," said Mr. Smith.

Mr. Robinson was dismissed last November for distributing propaganda against Sir Michael Edwards' policy for saving BL. The workforce had already voted for the policy in a ballot.

Dr. John Brookes, Mr. Robinson's GP, told the tribunal that, after his dismissal, Mr. Robinson had suffered from amnesia, insomnia, voices in the ears and a loss of appetite. It was a severe psychiatric illness brought about by pressures from within industry, and from

the media.

Dr. Brookes said Mr. Robinson was a character whose beliefs were based on the "euphoria of the true believer." At the time he was unable to make proper decisions.

He had attended meetings and appeared on TV but, said Dr. Brookes: "I saw him on TV and he did not appear to me to be a man in charge of his own affairs. He did not seem to realise the whole thing was becoming a farce."

Giving the tribunal decision, Mr. Smith said Mr. Robinson had thought he was strong enough and powerful enough to deal with the situation himself. That was what lay behind the medical evidence of Dr. Brookes.

Mr. Smith said it was as well to recall that this was the fourth public hearing day of the tribunal. There had been applications, one for a secret hearing, and others for adjournments on points, which were later withdrawn.

The reason why Mr. Robinson had not put in his claim was that he did not wish to take advantage of this Act of Parliament.

His himself had said it was no ordinary dismissal, but the dismissal of a convenor. The tribunal did not wish to belittle that office, but at the end of the day he was an employee like anyone else.

After the hearing, Mr. Robinson said he was disappointed at the result and would consult with his legal advisors about a possible appeal.

Mr. John Bowden, his solicitor, said they would also consider whether there could be a claim against Mr. Robinson's union, the AUEW, for negligence.

Mr. Robinson will not have to face costs of his appearances before the Birmingham tribunal. His solicitor, Mr. David Turner-Samuels, have given their services free. Shop floor collections are being made for the fee of his junior counsel, who appeared on one day.

## Provincial papers reappear

BY PAULINE CLARK, LABOUR STAFF

PROVINCIAL morning newspapers were back on the streets today for the first time for two weeks following the agreement on print craftsmen's wages on Sunday night. However, about 20,000 print workers in general print companies remain in dispute over their national pay claim.

The British Printing Industries' Federation, representing 3,700 print companies, said it would wait and see local response to an invitation to print craftsmen to return to work from yesterday on the basis of a minimum earnings offer of £75 a week and on condition that normal working was resumed.

Union leaders of the National Graphical Association warned last night that they were instructing members to reject the employers' offer.

Provincial newspaper employers of the Newspaper Society agreed at the weekend to meet the NGA's demand

separately for an £80 minimum earnings level. This may turn out to be a final split in the annual pay negotiations partnership between the BPIF and the Newspaper Society.

The union, which had been taking selective industrial action for eight weeks in support of its claim, is expected at an executive council meeting today to ratify the new agreement with the Newspaper Society.

The agreement is seen as evidence of the union's continuing strength in the industry in spite of the rapid advance of new technology. It was this issue which lay behind the NGA's determination to press its claim unsupported by the other major print unions.

Further talks are expected with SOGAT and NATSOPA, two of the print unions which had earlier accepted by ballot the employers' original offer.

The Liverpool Daily Post will not appear this morning following a decision by the local NGA

chapel (union branch) not to resume work without payment for the past two weeks. Their decision also prevented appearance of the Liverpool evening paper, The Liverpool Echo yesterday.

A management statement said the NGA chapel "have refused to resume working despite lifting of suspension notices in accordance with the settlement of the national pay deal."

● Independent Television News bulletins remained off the air yesterday because of the four day dispute over new technology.

Technicians in the Association of Cinematograph, Television and Allied Technicians, have been told by management that they broke their employment contracts when they refused last Friday to handle a speech by the Prime Minister produced by Gramplan Television. It used a new electronic news gathering system.

## Dispute costs IPC 'over £4m' a week

BY JOHN LLOYD

INTERNATIONAL Publishing Corporation (IPC) said yesterday it is losing between £4m and £5m a week in revenue because of a dispute with its 1,500 journalists, now beginning its third week.

While part of the losses are expected to be recouped when publication of the group's business and general interest magazines restarts, the company said the weekly losses will increase the longer the dispute continues.

IPC has suspended all journalists in its business Press and magazine divisions, and in its book publishing companies, Botterworth and Hamlyn, following the breakdown in pay negotiations and a one-day strike by journalists last month. It

has also suspended publication of its magazines.

The journalists last week voted to allow the committee of its branch of the National Union of Journalists to withdraw sanctions—including the banning of overtime and freelance work—if pay talks can be recovered.

The NUJ has claimed a 28 per cent rise, while IPC has offered 17 per cent, up from its first offer of 14 per cent.

The journalists have demanded pay for the period in issue which they have been suspended, and that the suspensions be lifted before negotiations resume.

The company has offered talks between a management representative

## Unions back chemical industry offer

By Nick Garnett, Labour Staff

A PAY offer to noncraft manual workers in the chemical industry is being recommended for settlement by the industry's principal unions.

The proposals, made nationally by the Chemical Industries Association, follow the abortive attempts during last year's pay talks to reach a central agreement for the 60,000 workers covered by the negotiations.

The offer provides for a new basic rate of £60 a week, achieved by adding at least 23p an hour new money, as well as consolidating other payments where necessary to produce a new hourly rate of £1.65 and call-out pay would also be increased.

## Construction workers agree pay

BY NICK GARNETT, LABOUR STAFF

CONSTRUCTION UNIONS yesterday reached agreement after employers involved in the industry's principal wage negotiations refused to increase their pay offer.

The Union of Construction, Allied Trades and Technicians had already accepted the proposals, which increase guaranteed minimum earnings by 20 per cent.

They were joined after the employers' refusal to budge on pay by the Transport and General Workers' Union and the General and Municipal, both of which had rejected the offer. The Furniture, Timber and Allied Trades Union maintained

its opposition, but is party to the settlement.

In the face of a refusal by the joint union side to accept the original proposals, the employers' organisations agreed to meet the union's demands in order to try and prevent abuses of the restrictions placed on holiday stamps in the agreement. They also withdrew their insistence on a deadline.

But they refused to increase pay, consolidation and the cut off on bonus payments. The refusal of the Transport and General to accept a deal already agreed by UCAAT aggravated relations already strained

between the two unions.

The overall level of the main construction settlement, which covers up to 700,000 workers, was probably improved because of the Building and Allied Trades Joint Industrial Council pay deal. This is a new agreement in which the Transport and General is the only union involved.

The construction settlement gives labourers a basic of £38.80 with a minimum bonus of £9.80 and a guaranteed minimum earnings level of £68.60. The craftsmen's basic rises to £69 with a minimum bonus of £11.40 and guaranteed minimum earnings of £80.40.

## RUSH & TOMPKINS GROUP LTD.

Summary of results for 1979

|                    | 1979<br>£'000s | 1978<br>£'000s |
|--------------------|----------------|----------------|
| Turnover           | 81,757         | 61,231         |
| Profit before tax  | 1,633          | 1,173          |
| Profit after tax   | 1,110          | 1,014          |
| Earnings per share | 10.1p          | 9.2p           |
| Dividend per share | 3.75p          | 3.23p          |
| Assets per share   | 327p           | 240p           |

- Turnover up 33%
- Profit before tax up 39%
- Property values up on revaluation 38% to £32,830,000

Copies of the Reports and Accounts for 1979 may be obtained from The Secretary, Marlborough House, Station Road, Sidcup, Kent.

## Right wing takes control of CPSA

BY PHILIP BASSETT

RIGHT-WINGERS yesterday seized control of Britain's largest civil service union, the Civil and Public Services Association, when the results of a new electoral system brought a landslide victory for the union's moderate group at the annual conference in Southport.

The Right, in the first national executive election since a new "pledge-style" ballot system replaced block voting at the union's annual conferences, routed the leading Left-wingers, who had held 20 of the 26 executive seats, and the two Vice-presidential posts.

The new executive is dominated by the Right, with 23 seats. The Left held on to only two, with the final seat being taken by the middle-of-the-road Mr. Len Lever, a former president of the union.

Mrs. Kate Losinska, leader of the Right, retained the presidency, and both vice-presidential posts were also taken by the Right.

Some 817 branches voted, in a poll which showed much lower voting totals than the previous figures based on block voting.

The electoral system is designed to give stability to voting patterns, so the Right could hold on to control for some time. But the Left has taken some comfort from the fact that the Right seems unlikely to be able to keep together the various political groups which make up the moderate slate.

Some union leaders, looking at the inexperience of the new executive, were gloomily forecasting a relapse into mediocrity.

Even some leading Right-wingers thought privately that

the swing had gone too far for the union to be fully effective, and Mr. Peter Colman, leader of the Left, who lost his vice-presidency and failed even to secure an executive seat, said: "I am concerned that the Right-wing has no idea of how to initiate or handle militancy when militancy is necessary."



# Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOTTERS

## SAFETY AND SECURITY

### Close watch on the premises

INTRODUCED BY Chubb Alarms is the Miniscan, a lightweight and unobtrusive closed circuit television system which can provide economic surveillance in almost any small to medium-sized location.

Prived at £460, including installation, the Miniscan consists of a nine inch monochrome solid state monitor linked to a pair of cameras positioned at strategic points in the customer's premises.

The monitor can be arranged to enable the shopkeeper, for example, to keep an eye on the

door and hidden corners of the shop while getting on with routine matters such as paperwork. In a garage, the attendant could see what is happening in both showroom and forecourt at the same time as he deals with say, a telephone call in the back office.

Each camera can be individually focussed and has automatic compensation for different lighting conditions.

Chubb Alarms is at 42 Heron Road, Walton-on-Thames, Surrey, KT12 1RY (Walton 48851).

### Reducing the fire risk

BLUE LINE, the office furniture group, recently staged a demonstration of how quickly foam-filled furniture can ignite and contribute to the rapid spread of fire, but showed at the same time, how to combat ignition.

Two identical-looking foam-filled office chairs were used for the test and identical blow-torches were placed on seats of wood at the back of the seats aimed directly at the base of the backrests for 80 seconds.

Almost the whole of the backrest on one chair had burned away after two minutes, dropping burning foam in the process and producing acrid fumes and smoke. The chair subsequently "burned" completely. On the other chair there was a charred area where the flame had been directed, with a hole no bigger than a 5p piece in the covering. A small hollow area behind the hole showed where some of the foam had melted. There was no ignition and little smoke or

fumes.

The burnt chair used normal plastic foam for its upholstery, covered with the type of material still widely used by many furniture makers.

The other chair was built to the Blue Line patented method, using a treated fabric interlining over high resilience foam. While these materials form the basis of the fire protection, the construction techniques are equally important in achieving this level of fire resistance.

This fire-resistant approach to furniture-making adds approximately 20 per cent to the final cost of the chair.

A similarly-constructed chair has already been tested by an independent authority and passed ignition source 5 of the DOE/PSA Fire Retardant Specification No. 6. Legislation due to be introduced this summer demands only a pass at ignition source 1.

A. Marshall and Sons, Blue Line House, 19 Thames Road, Barking, Essex IG11 0HS.

### Airport fire tender

AIMED SPECIFICALLY at the needs of the airport fire services is the Protector 2 range of specialist fire fighting vehicles based on an all-terrain chassis and having water tank capacities ranging from 800 to 2,000 gallons.

This vehicle has a maximum speed of 70 mph which together with rapid acceleration should enable it to get to an incident very quickly.

The company says that in tests the vehicle has given good performance on the runway and in off-road con-

ditions.

Design is modular in form to a basic standard specification and an extensive range of optional equipment means that a vehicle most closely matched to the operator's needs can be achieved. Due to commonality in design and component selection, fleet management benefits will also occur in terms of spares holdings, maintenance routines and training.

Chubb Fire Security is at Pyrene House, Sunbury on Thames, Middx. Sunbury 855883.

## INSTRUMENTS

### Senses the density

AUTOMATIC DENSITY control of process liquids in the chemical and petroleum industries can be achieved with a Finnish-made instrument which is effect weights the liquid as it is fed through a U-tube lying in a horizontal plane.

The U-tube is connected to line via bellows at each open end so that its closed end is free to move in an arc and on an axis which passes through the bellows.

The U-tube in turn is connected to a balance arm and a transducer so that as the weights of the fixed volume of fluid in the tube changes due to the changing density, a changing signal is provided by the transducer.

Customary signals 0 to 24 mA or 4 to 20 mA can be provided, or pneumatic signals of 0.2 to 1.0 bar or 3 to 15 lb per square inch.

Where necessary the transmitters can be fitted with mechanical temperature compensation to compensate for process fluid temperature changes.

Made by Valmet in Finland, the units are available in the UK from Calox Electronics, 8c High Street, Leighton Buzzard, Beds LU7 7EA (0525 373178).

### Offers more functions

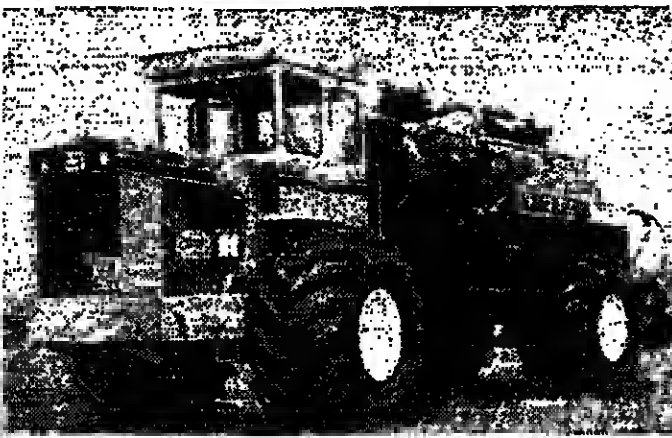
A PAIR of microprocessors is used in the latest 54-digit digital multimeter from Fluke, providing a number of functions and options not normally available.

Apart from an accuracy of 0.01 per cent over one year and a four-wire ohms measuring facility, the new 8800A can provide offset, limit and peak to peak measurements plus an ability to store high and low values. Constants used in the offset mode can be entered numerically or direct from the display. Reading speeds are selectable at 2½ per second with 5½ digits and 12½ per second for 4½ digits.

A useful option is a cable-connected calculating controller which allows the user to carry out programs ranging from simple transducer algorithms to complex data logging, statistical analysis and other mathematical functions.

Using an external keyboard and a non-volatile cartridge memory the user can set up programs with 100 fully-merged steps.

Fluke (GB) is at Colonial Way, Watford, Herts WD2 4TT (Watford 40511).



Five slurry tankers like the one shown here are to be acquired and operated on behalf of Thamesgr, the slurry handling division of the Thames Water Authority. Thamesgr operates a controlled programme of applying processed sludge on to farmland over large areas in north Surrey, northeast Hampshire, Berkshire, south Oxfordshire, south Buckinghamshire, Middlesex, Essex and parts of Bedfordshire and Bedfordshire. Slurry will be hauled by 30-ton tankers from sewerage plants in and around London and spread or injected into the soil by the newly-acquired Ag-Gator 5004 vehicles which are manufactured by the Ag-Chem Equipment Company in Minneapolis, U.S.A., and marketed in Britain by BTE Engineering of Blackburn, Lancashire.

## RESEARCH

### Pipe cutting experiments

LEAFIELDS Engineering Limited carried out tests on explosive cutting systems at the new underwater centre opened recently by Underwater Trials at Limehilllock Quarry close to Peterhead, Aberdeenshire.

Leafields was showing for an oil company client how an 80 lb linear explosive cutting charge could sever a length of 33 in pipe line of three-quarter inch wall thickness, covered by a quarter inch bitumen wrap and two inch thick concrete coating.

The test piece, mounted on a specially developed rig, was lowered to the quarry bottom for the trials by a heavy duty pontoon and "A" frame which will form part of UTL's standard trials equipment inventory at Limehilllock.

Further explosive trials will be carried out by Leafields as part of an on-going performance repeatability programme.

Underwater Trials, Unit 1, Decmorth Centre, South Esplanade East, Aberdeen. 0224 578666.

## ELECTRONICS

### New Hitachi component

CLAIMING a world first in the successful development of a high capacity programmable read-only memory of the electrically erasable type, Hitachi has announced that it will go into volume commercial production for the home and overseas markets in the third quarter this year, while sample quantities will very shortly be available.

With 16 kilobits capacity against 8 kilobits for the existing comparable device and an access time of 350 nanoseconds (maximum) or 250 typical against 650 for the latter, or 450 nanoseconds for the fastest ultraviolet erasable device, the Hitachi programmable offers a great deal to designers and builders of micro and mini-computers, cash registers, controllers, etc.

The company is also claiming a tenfold increase in the maximum number of writing and erasing cycles (compared with

EPROM) to 1000 cycles and ability to retain data for better than ten years at a temperature of 25 degrees C.

The last point is of considerable importance where operational and instruction data has to be safeguarded against power failures.

To achieve these advances in the performance of the component, Hitachi has developed its own production process—metal nitride oxide semiconductor—primarily because of the importance it is attaching to the anticipated effects of the device on the memory market in general.

Simultaneously with the announcement of the new EEPROM, the company has launched three new microcomputers and a peripheral device for use with micros.

Hitachi Electronic Components (UK), P.L.E. Building, 2 Rubastic Road, Southall, Middlesex UB2 5LL. 01-574 0732.

## PROCESSING

### Trial run freeze dryers

FIRST of their size to offer all the capabilities, facilities and options of full-scale production plant, including steam sterilisation, are a group of pilot dryers designed by Edwards to comply with the new international DIN standards for shelf size.

Condenser temperatures as low as minus 80C can be obtained using R 13b1 refrigerant, and although the basic model measures only about 3 feet wide by 5 feet 6 inches high, full automation can be provided not only of the entire freezing and drying cycles but also of stoppering, defrosting and loading and unloading.

Programmes generated on an

optional auto-control system are directly transferable to production plant and a wide range of recorders and controllers is available.

The machines are thus suitable for laboratory research but also for pre-production development work with high value or potentially dangerous loads.

Models can be supplied as free-standing units or for through-the-wall installations, and can be adapted for freeze drying in bulk, vials or ampoules, or in flasks and bottles via manifolds.

Edwards High Vacuum, Manor Royal, Crawley, RH10 2LW. 0235 28844.

## DATA PROCESSING

### Repair and maintenance

LION IS offering a fast turn-around repair and maintenance service for both small business and personal micro computer users. The service will be provided on an "over the counter" basis at Lion Micro's Computer Centre in Tottenham Court Road, London.

Lion guarantees to provide a 24-hour turn around to their repair and maintenance customers. If a repair takes longer than this period due to non-availability of spares or other such eventualities then Lion will provide the customer with a replacement system on loan, free of charge.

Repair and maintenance service is to be made available to all micro computer users but is initially limited to certain systems. These are the Com-

modore Pet, IIT 20 20, and ACT 800. This service will also be provided for the TY 100 and Newbury 8300R printers and CompuThink disc drives.

A "one-time" £25.00 registration charge is made for those users who wish to take advantage of the Lion service. This charge does not apply to users who have purchased their hardware from Lion. The annual charge will be dependant on the configuration of the system for example a 32F Pet—£54.85 per annum, the Newbury 8300R printer—£49.70 per annum. Although each individual item of hardware has a set charge, the charge for configuration would be lower than the sum of that for the individual items.

Lion Microcomputers at 227 Tottenham Court Road, London W1P 0EX. 01-580 7383.

### Systems for industry and defence

ADA TECHNOLOGY will be the key to the defence and industrial systems markets of the future a spokesman for "The Ada Consortium," has asserted.

The consortium, comprising Software Sciences, Systems Designers and Systems Programming has been formed to undertake work on the Ada real-time programming language being developed by the U.S. Department of Defence.

According to the consortium, the Ada language, adopted by the DoD following extensive international consultation and competition, represents a "revolutionary" step forward in programming language

technology. Ada has been forecast as the standard language for defence system from the mid-80s.

It is the first practical language to include data abstraction and so reap the fruits of the research of the 70s. Moreover, through Ada, there will be the opportunity to develop a much larger market for portable software packages. It is vital, therefore, in the view of the consortium, that UK systems companies have home-market based Ada tools to compete against U.S. and European products.

In the UK the consortium sees the prime mover in developing Ada as the MoD, which is expected, — as with Coral 66 in the late 60s and

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## HANDLING

### Tail lifts for trucks and vans

SELF-CONTAINED, a bolt-on tail lift assembly of established Swedish design is to be manufactured in Britain by a new company, Ray Smith (Tail Lifts), subsidiary of Peterborough-based Ray Smith Demountables.

The Scan tail-lift, which holds a 20 per cent share in the Swedish market, will be made in two capacities—1-tonne and 1½-tonne—weighing respectively 335 kg and 450 kg.

Among the technical advantages are an unusually deep platform (4 ft) as standard, full hydraulic operation, an absence of lifting cables or flexible pipes, and enclosed electro-hydraulic power pack and a facility for controlling the slope of the platform so that it can be used on hills or as a bridge plate between truck and loading dock. The tail-lift operates in the widths of the door aperture in van bodies, and it is equally suitable for use with open bodies.

Ray Smith (Tail Lifts), Botolph Bridge, Oundle Road, Peterborough PE2 9QP. 0733 46524.

70s — to produce and apply the language for its own use for operational defence applications. The Consortium has been in close consultation with the MoD and the DoD for over two years and is currently engaged in a number of open research projects in Ada technology. The MoD funded the report published by the consortium on the programming environment for Ada.

British software companies and world leaders in software and language technology, and the consortium, with some of the best of these companies, is confident that it has the capability to produce a system builder's tool to compete with the best the U.S. can offer.

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## JOBS COLUMN, APPOINTMENTS

## The unacceptable mask of executive search

BY MICHAEL DIXON

THE MORE important the job to be filled, the more obscure is the process of filling it.

Nobody contradicted that description of British recruiting customs when it was voiced by personnel consultant Dick Stokes the other day at the Institute of Personnel Management's London conference.

The managers in the audience no doubt knew from experience that when apprentices and the like are being chosen, the process of selection tends to be laid down in writing and to include tests as well as interviews. And if those at the conference were not personally familiar with the contrasting tendency of selection for top-level posts to be shrouded in mystery, there was an example ready to hand in the appointment of Ian MacGregor to head the British Steel Corporation.

The Jobs Column wishes him every success, of course. But there are at least two mysteries about his appointment.

One is that, however managerially qualified he may be in other ways, Mr. MacGregor lacks any experience of industrial relations in Britain.

The second mystery is that when British Steel's retiring chairman Sir Charles Villiers was chosen for the post some five years ago, the unsuccessful candidates included Mr. MacGregor. I understand that he was finally dropped from the shortlist because he was considered unsuitable. Since his

competence can hardly have altered materially in the meantime, the significant factor in his now being deemed "the best possible candidate" seems likely to be the change of Government. But why should someone evidently unacceptable to the former Labour Ministers, be welcomed by their Conservative successors to the tune of paying a £1.8m transfer fee to his present employer, Lazard Freres of New York?

The key to both mysteries may lie in the present Government's view that industrial relations should not have Sacred-Cow status in the running of the economy. And I would not question the Conservative Ministers' entitlement to act on that view at governmental level.

But the running of a company is surely a different matter. In the course of writing this column I talk to many people offering line-management jobs in British manufacturing industry, and when I ask them if overseas candidates would be considered, their reply is virtually always: "Not unless they have recent experience of industrial relations in this country."

So the Government plainly disagrees with the bulk of practising recruiters if it thinks that the effective management of British Steel is unlikely to be hindered by its new chief's lack of industrial-relations experience.

Unfortunately, it is impossible to clear up such mysteries

satisfactorily, because the criteria for and the process of selection were shrouded in secrecy despite the job's being of legitimate public interest. Like more and more senior posts—the majority of which are of interest at least to shareholders and employees of the organisation concerned—the British Steel job was filled by the confidential, personal, approach method of executive search.

Now I have every respect for Russell Reynolds Associates, which netted Mr. MacGregor, and for the numerous other truly professional executive search concerns. Without doubt the efficiency of the personal approach device in the hands of such companies is a major reason why search has gained a growing share of the recruitment market for managers and specialists.

But two other things are equally clear. One is that the search method attracts a fair number of employers seeking senior people, not so much by being efficient, as by being clandestine. For example, the growing use of executive search cannot be entirely unconnected with the legislation against discrimination by race or sex. It is also clear that while there are reputable search concerns which would have no truck with any assignment involving the breach of these laws, there are others which are not so scrupulous. As Dick Stokes said

at the Institute of Personnel Management's conference: "Name your pet prejudice, and some headhunter somewhere will apply it for you, swiftly and secretly."

Accordingly, he felt that the executive search fraternity were desperately in need of a professional code of practice. It could hardly agree more. It is plainly in the reputable search concerns' interest to get together quickly to establish one, if possible persuading the Institute of Personnel Management to enjoin its members not to engage executive-searchers who were not on the professionally approved list.

Until adequate standards of behaviour and staff-qualification are publicly established, however, no employing organisation which engages a search practitioner can be entirely proof against the suspicion that it is doing so to cover up some dubious purpose. Whether or not a private-enterprise company chooses to take that risk is, of course, that company's own affair. But I doubt that State-owned concerns should risk the suspicion. To my mind, those which decide to retain searchers should at least issue a public statement of why the method is being used and of the qualifications considered essential for the job in question. And where the post is as much a matter of national interest as is the chairmanship of British Steel, I feel that the names of the people

on the final short-list should also be made available to the public. Had the Government taken those steps during the search for Sir Charles Villiers's successor, there would not have been so much disquiet—not least among the workers and middle managers of British Steel—about Mr. MacGregor's appointment. Nor would Ministers be so prone to the charge of practising closed government, while preaching precisely the opposite.

## Turner-round

"WHAT, no transfer fee?" I exclaimed. Geoffrey King of Cambridge Recruitment Consultants silently shook his head. "Not even a donation towards a new potted plant to freshen the replacement executive's filing cabinet?" I insisted. He shook his head again.

"In that case," I said, "couldn't you have picked a better time to come to market for a manager to turn round an ailing company?"

No, Mr. King replied, he couldn't. The need was urgent. Besides, the job in question was not for someone already at the top of the tree like Mr. MacGregor, although it was an opportunity for someone to take a step in the same direction.

The post is the managing directorship of a bigish group's subsidiary based in the north of England. (Since Geoffrey King may not name the employer, he promises to

honour any applicant's request not to be identified to his client until permission is given.) And the prime task of the job is to restore the sense of purpose of the subsidiary company, which has about 200 employees and a turnover of £7m in timber and associated products.

"The requirement is for a person who can revitalise the existing company. Both its marketing and its manufacturing are crying out for much better planning. But the priority is to give a lead from the sales side so that the company will have something tangible on which to base increased output."

So candidates should have risen into marketing—management by dint of success in selling. Experience in manufacturing industry is also wanted, as of course is an understanding of industrial relations in the broad sense. The age indicator is about 35.

The starting salary will be no more than £15,000 or so, but the bonus arrangement will be set to reward success handsomely.

Other perks include a car. Inquiries to Mr. King at La Rose Crescent, Cambridge CB2 3LL; telephone 0223 311316.

By the way, I once again apologise to readers who receive the editions of the Financial Times printed in Frankfurt, for repeating the report of the turn-round job. For the second time in recent weeks, a dispute prevented the London editions of the paper from appearing.

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9. COMMUNICATIONS ENGINEER
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11. QUANTITY SURVEYOR
12. CHARTERED ACCOUNTANT
13. FINANCIAL CONTROLLER
14. ECONOMIST
15. INTERNATIONAL LAWYER (COMMERCIAL)

It will be an advantage for candidates to have previous overseas experience and additional qualifications including languages. Good salaries will be paid to the right person for each category.

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Letters of application, together with C.V., salary progression, and any other relevant data should be forwarded without delay to: Mr. C. A. Cotton, Executive Recruitment Division, MLH Consultants Ltd., Park House, 22-26 Great Smith Street, London SW1P 3BU, quoting Reference No. A200.

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£17,000—£22,000 + PROFIT SHARING

EUROPEAN FINANCIAL SERVICES GROUP, WHICH IS A WHOLLY OWNED SUBSIDIARY OF U.S. MULTI-NATIONAL CORPORATION WITH TURNOVER IN EXCESS \$5,000 MILLION

We invite applications from candidates, who are likely to be graduates or be professionally qualified, who must have held a similar senior appointment within the insurance industry for at least 3 years. The selected applicant, who must have in-depth experience of General and Life Insurance administration and a specialised knowledge of computer processing and systems, will report to the Chief Executive. The prime responsibilities and principal group functions reporting to this executive will be Corporate Planning and Development, Data Processing Centre, and a special unit group which evaluates corporate acquisition proposals. Essential qualities are a strong commercial awareness, an eye for detail and the ability to communicate effectively at all levels. Initial salary negotiable in the range £17,000-£22,000 + profit-sharing, company car, non-contributory pension, free life assurance, free BUPA, subsidised mortgage scheme and assistance with removal expenses if necessary. Applications in strict confidence quoting reference DA12285/FT will be forwarded unopened to our Client, unless you list companies to which they should not be sent in a covering letter marked for the attention of the Security Manager.

CAMPBELL-JOHNSTON RECRUITMENT ADVERTISING LIMITED, 35 NEW BROAD STREET, LONDON EC2M 1NH

Challenging and demanding appointment as the Chief Executive's Assistant and as a member of the management group



## DIRECTOR AND EXECUTIVE ASSISTANT-INSURANCE

LONDON

£16,000—£21,000 + PROFIT SHARING

EUROPEAN FINANCIAL SERVICES GROUP, WHOLLY OWNED SUBSIDIARY OF U.S. MULTI-NATIONAL CORPORATION WITH TURNOVER IN EXCESS \$5,000 MILLION

This vacancy calls for candidates, who should have a degree in Mathematics or have an Actuarial background, who have gained substantial experience in the technical and operational aspects of both Life and General Insurance business. Working from Group Headquarters, the successful applicant will assist the Chief Executive in controlling both the underwriting and claim functions throughout the various companies in the Group. Also, the selected candidate will act as the Senior Staff Officer of the Group and will concentrate in areas where problems may arise. A high level of commercial motivation and communication skills are essential. Initial salary negotiable in the range of £16,000-£21,000 + profit-sharing, company car, non-contributory pension, free life assurance, free BUPA, subsidised mortgage scheme and assistance with removal expenses if necessary. Applications in strict confidence quoting reference DA12286/FT will be forwarded unopened to our Client, unless you list companies to which they should not be sent in a covering letter marked for the attention of the Security Manager.

CAMPBELL-JOHNSTON RECRUITMENT ADVERTISING LIMITED, 35 NEW BROAD STREET, LONDON EC2M 1NH

**Burmah**

**GROUP  
FINANCIAL MANAGEMENT**

c. £10,000

Burmah, which has recently announced sharply improved results for 1979, is an oil-based British group with world-wide commercial interests. Amongst the Group's principal subsidiaries are Castrol, Quinton Hazell, Halliwell and other Engineering and Industrial companies. There are also interests in North Sea Oil and Shipping.

To assist the Board in managing Burmah's world-wide operations, the Group Management Accounts department, based at Group head-quarters, performs a financial appraisal of divisional operating plans and prepares the Group Consolidated Budget. By monitoring divisional performance during the year, the department highlights exception situations and developing trends. This work involves regular contact with operating divisions and senior Group management.

To strengthen the professional team, which makes extensive use of an advanced "on-line" computer system, the Group now wishes to recruit ambitious young graduate Accountants with good post-qualification experience in a professional or industrial environment.

Success in this position will provide the opportunity for further career advancement within the Burmah Group.

For further information and a personal history form please contact Mark Scott, M.A. A.C.A. or Jeremy Kidson at 410 Strand, London WC2R 0NS, telephone: 01-836 5501, quoting reference 2872.

**DOUGLAS LLAMBIAS**

Douglas Llammbias Associates Ltd.  
Accountancy and Management Recruitment Consultants

and at 26 West Nile Street, Glasgow G1 2PF (041-226 3101)  
3 Coates Place, Edinburgh EH3 7AA (031-225 7744)

APPOINTMENTS  
ADVERTISING  
Rate £19.50  
per single column centimetre

**MERCHANT BANKING**  
**Baring Brothers & Co., Limited**  
**CORPORATE FINANCE-NIGERIA**

Barings are seeking an able executive to join their Corporate Finance team with a view to secondment for a spell of 3-5 years to their affiliated company in Nigeria, Icon Limited. Icon is a leading Nigerian merchant bank whose shareholders are the Nigerian Industrial Development Bank, the National Insurance Corporation of Nigeria, Morgan Guaranty Trust Company of New York and Barings. The post offers the opportunity to play a creative role in the development of Icon's growing corporate finance business.

The successful candidate, after a period of training and familiarisation with Barings in London, would join Icon in Nigeria as a Manager in their Corporate Finance Department. After his term in Nigeria the candidate would have the opportunity to rejoin Barings in London.

Applicants should ideally be aged between 25 and 30, be qualified accountants, lawyers or business graduates and have relevant experience which is likely to have been in a merchant bank or similar organisation. Salary will be at a level appropriate to such a posting and additional benefits will include free furnished accommodation, car, and annual leave passage for the family.

Applications, enclosing a curriculum vitae, should be sent in confidence to:-

Mr. Francis Carnwath  
Baring Brothers & Co., Limited  
88 Leadenhall Street, London EC3A 3DT

## N.M. Rothschild &amp; Sons Limited

## Senior Currency Adviser

Due to continuing expansion, N. M. Rothschild Asset Management Limited is seeking an exceptional individual for a demanding but highly rewarding position.

The post involves, as a senior member of a compact group, the management of multicurrency fixed interest portfolios, advising multinational companies on their currency exposures, and central banks on reserve management.

Although based at Rothschild's in London, the work includes considerable overseas travel. The position will probably be filled by a man or woman aged 27-40 with a background in international fixed interest management and a strong economic and currency background. Candidates may previously have worked in a similar financial institution or possibly in the Treasury Department of an international corporation in the economic or currency forecasting department of a bank or in financial journalism. Applicants must be capable of expressing themselves clearly, both in writing and at client meetings.

The remuneration package will be highly competitive.

Please apply in writing giving detailed curriculum vitae to:

Personnel Director,  
N. M. Rothschild & Sons Limited,  
New Court,  
St. Swithin's Lane,  
London EC4P 4DU.

Deputy  
Taxation Manager

c. £11,000 + car

London

An expanding U.K. based Group with worldwide operations in the construction, civil engineering and contracting industries, seeks a suitably qualified person (male or female) to fill this important head office appointment.

The position calls, inter alia, for ability to deal with the tax affairs of U.K. companies and to advise on foreign taxation in relation to overseas contracting and expatriate employees.

Candidates must have at least three years corporate tax experience and should be qualified accountants, ATII, solicitors or ex Inland Revenue. Flexibility of thought and the ability to communicate at senior level are considered to be essential.

Assistance with relocation expenses is offered where necessary.

Please write or telephone to D. G. Muggeridge (Ref: 6511).



**Mervyn Hughes Group**  
2/3 Cursitor Street, London EC4A 1NE  
Management Recruitment Consultants

01-404 5801

## FINANCIAL SECRETARY/ACCOUNTANT

Kensington-based national charity managing nursing/residential homes seeks a financial secretary/accountant to administer its substantial finances and advise on overall budgetary control, responding to the Chief Executive Officer.

Candidates should have a good educational background and the ability to motivate staff, preferably a numerate degree or accountancy qualification and be under 35 years of age. Starting salary negotiable, in excess of £7,500 a year, plus non-contributory pension.

Apply in writing with curriculum vitae to:  
The Personnel Officer, Distressed Gentlefolk's Aid Association  
Vicars Gate House, Vicars Gate, London W8 4AQ



# Hoggett Bowers

Executive Selection Consultants

BIRMINGHAM, CARDIFF, GLASGOW, LEEDS, LONDON, MANCHESTER, NEWCASTLE, NOTTINGHAM and SHEFFIELD

## Pentos

### Pentos Garden and Leisure Products Group

This highly successful Public Company wishes to make two senior appointments within its rapidly expanding Garden and Leisure Division.

## Managing Director

Bristol, negotiable from £16,000 + car, + profit share + share options

For Cassey's Camping Ltd., the country's leading camping specialist for over 20 years. The company operates indoor and outdoor retail centres at some 40 locations throughout England and Wales, together with a world-wide Mail Order service. Reporting to the Group Chief Executive, the main responsibilities will be to maximise profits within the existing business and to expand the operation both internally and by acquisition. Candidates, aged 30-45, should have held a position of profit responsibility within the retail industry and have a strong financial background. An excellent remuneration package will be negotiated and career prospects within this forward thinking Group are exceptional. Ref: 35116/FT.

## Financial Director

Kent, c. £15,000 + car

Reporting to the Group Chief Executive, the Financial Director will be responsible for the direction and control of the financial affairs of the companies within the division, which embrace manufacturing, wholesaling and retailing. The major subsidiaries are Halls Homes & Gardens — leaders in greenhouses, Tudor Garden Products, Gardenast Aluminium Furniture, Cassey's Camping and Barker Ellis Silver Co. Key areas of involvement will be in acquisitions and the further development of effective accounting and administrative systems and procedures. Equally important will be the personal influence exerted over the Company M.D.'s and Financial Controllers to achieve the maximisation of their resources and the compliance with Group plans. Candidates, aged 32-40, should have a proven track record in senior financial management and be used to operating in a fast moving environment. Career prospects are excellent and include the opportunity to move into general management. Ref: 35117/FT.

Male or female candidates should telephone in confidence for a Personal History Form, quoting appropriate references to: R.H. Varley, BIRMINGHAM: 021-622 2961, Albany House, Hurst Street, B5 4HD.

## Treasury Consultancy International Banking

Bank of America, the world's largest international bank, is seeking two Treasury Consultants to join its City-based International Treasury Services Group.

Candidates, aged 25-35, should have a sound background in cash management, preferably coupled with a knowledge of the foreign exchange market, gained in international banking, management consultancy, or in the treasury department of a multinational corporation.

In addition to an involvement in research and development, the successful candidates will have a substantial degree of client contact. It is therefore essential that applicants demonstrate the personal qualities needed to deal effectively at senior management level.

Prospects for career development are excellent, and a competitive salary will be augmented by an attractive range of fringe benefits including low-interest mortgage, non-contributory pension and free BUPA.

Write, in strict confidence, with full personal, career and salary details to: A. J. Tucker, Recruitment Officer, Bank of America NT & SA, 25 Cannon Street, London EC4P 4HN.



BANK OF AMERICA

### THAMES POLYTECHNIC

School of Business Administration  
SENIOR LECTURER/  
LECTURER II

A Senior Lectureship in Accounting and Finance is available from 1st September 1980. Candidates should have either a first and/or higher degree in Accounting and an interest in research, or a professional qualification and experience in corporate planning and capital budgeting. Salary scales—Lecturer Grade II: £5,415-£8,295 (inclusive); Senior Lecturer: £7,701-£8,588 (bar)—£25,400 (inclusive). Further particulars and application form from: The Staffing Officer, Thames Polytechnic, Wellington Street, London SE6 6PF to be returned by 20th May, 1980.

## Group Financial Controller

North Surrey

to £16,000 + car

Our clients are a well established and profitable private group of companies (T/O £40m) engaged in sophisticated up-market areas of the motor trade and precision engineering. During the last two years considerable expansion and development has been achieved and this appointment provides the concluding element of a new management team which has been assembled to capitalise on new opportunities that are opening up. The position reports to the Group Managing Director and, although the development of reporting techniques and supporting systems (including further computerisation) are important features of the job, the Controller's main contribution is expected to be in areas of financial planning and the evaluation of commercial opportunities. The job, therefore, calls for a Chartered Accountant, aged early 30's, who is technically well-equipped but who wants to develop a broad business-oriented career. Ref: 1154/FT. Apply to R. P. CARPENTER, FCA, FCMA, ACIS, 3 De Walden Court, 85 New Cavendish Street, London W1M 7RA. Tel. 01-636 0761.

## Phillips & Carpenter

Selection Consultants

### NEWLY QUALIFIED

Aged 25-30

S.E. London

to £9500

Reporting to the Financial Controller, the Accountant will act as his assistant and will take responsibility for the majority of the accounting and finance function. Supervising a staff of 6, he or she will further develop the computerised systems, assist with the preparation of budgets and gain experience in all areas of business management.

Manufacturing and marketing industrial coatings our client is a rapidly expanding and profitable US subsidiary. Current activities are in the UK and France and further expansion is planned. Applicants should be qualified accountants from the profession or industry. Please telephone or write to Stephen Blaney B. Comm, FCA quoting reference 1/1976.

EMA Management Personnel Ltd.  
Bume House, 88/89 High Holborn, London, WC1V 6LR  
Telephone: 01-242 7773

## Financial Controller

ELLERMAN TRAVEL

## Financial Controller

ELLERMAN SUNLIGHT

Over £11,000 + car. Location—Glasgow.

Due to the recent expansion of our 2 major businesses, Ellerman Travel & Leisure Limited has created the above positions to strengthen the financial management and control of our retail travel and air tour package divisions. Ellerman Travel is presently a £40M turnover business, with 65 retail branches throughout England and Scotland. Ellerman Sunlight is a £30M turnover concern, with a programme of package holidays to long haul and short haul destinations from T1 UK airports.

Reporting directly to the Retail Director and General Manager Sunlight respectively, the main responsibilities are—

- The preparation and analysis of monthly financial information covering profit and loss, cash flow and balance sheet, instigating management action as necessary.
- Provide guidelines for and manage the annual budget cycle, following up with tight budgetary control.
- Implement and develop financial planning, using computer modelling.

- Carry out all investment appraisal as required, using D.C.F. providing financial assessment for all commercial decision making.
- Ensure high standards of accounting, effecting improvements as required in standards or systems.

The persons appointed will be experienced, qualified accountants or business graduates with at least 5 years post-qualifying experience in a commercial environment, with an ability to demonstrate extensive experience in financial management accounting systems and forward planning. A proven track record in operating as an influential member of senior management team will be essential.

Together with an attractive salary, benefits include a Company car, relocation expenses, generous holiday concessions, 4 weeks annual holiday entitlement and contributory pension scheme.

Applications in writing with full c.v. to: —  
Christine King,  
Divisional Personnel Manager,  
Ellerman Travel & Leisure Limited,  
Windsor House, 250 St Vincent Street,  
GLASGOW G2 5SB

### TREASURER'S DEPARTMENT

## Principal Investment Administrative Officer

Grade PO1B

POST REF. T35 Salary £7722-£8574

Applications are invited from a qualified accountant/chartered secretary to take charge of the accounting function of, and to undertake administrative duties in, the Investment Section of the County's Investment Section. The person appointed would preferably have had investment accounting experience.

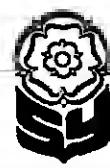
The Investments have a value in excess of £125m and are managed in-house. In addition to quoted UK and overseas securities, the Fund holds direct property investments and shares in unlisted companies.

Further details may be obtained from Bob Pohnston, Deputy County Treasurer, Extension 144 or Arthur Phillips, Chief Investment and Loans Officer, Extension 269.

Closing date for applications will be 16th May, 1980.

Please write or telephone for an application form quoting post reference T35 to the Chief Executive (Personnel), South Yorkshire County Council, County Hall, Barnsley S70 2TN. Telephone Barnsley (0226) 86141 Ext. 266.

South Yorkshire  
County Council  
SETTING THE PACE



## Systems Development Accountant

North West

c. £11,500 p.a.

This is an extremely challenging opportunity with a progressive organisation which has already embarked on a massive development programme. The need for continuous review of financial and management control throughout the enterprise is fully appreciated. A strong professional team is being appointed to undertake periodic scrutiny of systems of accounting and the utilisation of present and future computer facilities.

Candidates, male or female, 25-40, should be qualified accountants with experience of budgetary control and management reporting in a sophisticated industrial environment, either through industrial or professional exposure. They will be imaginative and of enquiring mind and now wish to apply their expertise in practical terms to all aspects of the control of business costs, whether development, engineering, manufacturing, stock or product. The company is planning management succession, and promotion prospects are thus above average.

Relocation assistance is available where appropriate.

Apply for an application form, quoting reference P1294, to ERP International Recruitment Limited, Clamence House, St. Werburgh Street, Chester, CH1 2DY. Telephone 0244-317886 (answafone after 5 p.m.)

Offices in London, Chester, Jeddah, Amsterdam, Brussels, Milan, Paris



## CHIEF ACCOUNTANT CONTROLLER GULF

Investment company located in the Gulf requires an experienced Controller.

Must be Chartered Accountant or C.P.A. with approximately ten years' experience in all accounting and administrative area, with experience at managerial level. Treasury management experience with foreign exchange deposits and bank relations desirable. Arabic language capability would be an advantage.

Tax free compensation would provide a salary in the £35,000 range with additional allowances for housing and transportation.

Qualified applicants are urged to send their c.v.s to us without delay.

Write Box A.7129, Financial Times  
10 Cannon Street, EC4P 4BY

## Experienced Money Broker

required to work in the Luxembourg branch of a large London based company.

One foreign language preferable.

Please reply to P.O. Box A.7138, Financial Times,  
10, Cannon Street, EC4P 4BY.

### INVESTMENT MANAGEMENT FIXED INTEREST £Neg.

Our client is a leading International Merchant Bank which is currently expanding its Investment Management Services. Candidates should have a minimum 3 years' experience in fixed interest investment management which should have had a strong bias to the gil-edged security market. Further experience in this international bonds market would be useful. It is anticipated that suitable candidates will be graduates and be aged between 28 and 40 years.

### EUROBOND DEALER c. £8,000

A prominent Continental Bank with considerable involvement in the Bond market seeks a young person with a minimum of 1 years dealing experience in an active environment. Prospects are excellent and the remuneration package attractive.

## 20 Senior Appointments

### LEISURE INDUSTRY

North & S.E. London £8,000-10,000+car

Our clients, both major practitioners in the Leisure Field, offer extremely attractive prospects to young qualified Accountants who are both dynamic and ambitious.

NORTH LONDON — whole accounting function and reporting to Financial Director. Ref. 842.

S.E. LONDON — deputy to Chief Accountant developing financial systems. Ref. 977.

Contact Mark Lockett or Ian Crichton

ACCOUNTANCY PERSONNEL SENIOR APPOINTMENTS  
41 London Wall, London EC2M 5TB 01-588 5105

## Jonathan Wren · Banking Appointments

The personnel consultancy dealing exclusively with the banking profession

A few of our more urgent current assignments:-

|  |               |
|--|---------------|
| CHIEF CONVERTIBLE BOND TRADER                      | c. £20,000    |
| BOND SALES EXECUTIVES                              | £10-£20,000   |
| U.S. WEST COAST EQUITY SALES                       |               |
| (based London)                                     | to £20,000    |
| NORTH AMERICAN EQUITY SALES                        | c. £18,000    |
| CORPORATE FINANCE — Paris                          | to FF200,000  |
| PROJECT FINANCE (Engineering Degree) — Paris       | to FF200,000  |
| BUSINESS DEVELOPMENT — LATIN AMERICA               | to £25,000    |
| LOAN SYNDICATIONS (SHIPPING)                       | £10-£14,000   |
| CREDIT ANALYSTS                                    | £6-£8,000     |
| LOAN ADMINISTRATION (Knowledge of Withholding Tax) | to £5,800     |
| SENIOR F.X. DEALERS                                | £10-£12,500   |
| AUDITOR (Part-qual. A.C.A.)                        | to £11,000    |
| AUDITORS   | £6,500-£9,000 |
| ACCOUNTS (Senior)                                  | c. £8,500     |
| PREMISES/PURCHASING                                | c. £7,000     |

For further details of these and other appointments, please telephone Roy Webb or Kevin Byrne.

First floor—entrance New Street  
170 Bishopsgate London EC2M 4LX 01-623 1266



In our tenth year as a major London consortium bank, we are developing and expanding our activities in the above areas and are offering attractive salaries and benefits to the right applicants.

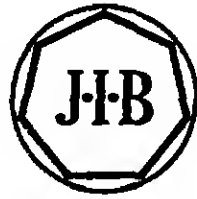
**Foreign Exchange Dealer**  
with general trading experience to set up and develop a new area within our Dealing Room.

**Eurobond Dealer**  
with secondary market trading experience to originate a new area within the Bank.

**Business Development Manager**  
with relevant London-based experience to build a portfolio initially based on trade finance business.

**Senior Loan Administrator**  
with in-depth background in the syndicated market, to organise the loan department. Agency experience would be preferable.

**Retired Banker**  
with experience of banking accounts to help with our figure analyses.



Japan International Bank Limited

Please write giving full career details to Mr. D. R. Parker,  
Japan International Bank Limited, 7/8 King Street, London EC2V 8DX.

International company of major importance in its field, highly recognized for its specialized products and services, seeks an experienced

## MANAGING DIRECTOR

for its European operations headquarters  
in Switzerland

He must be capable of assuming responsibility for European operations comprising manufacturing research and development in several countries in addition to a Europe-wide marketing and commercial network of associated companies and distributors.

Applicants should have a strong marketing background and top management experience preferably acquired in an industrial environment. The position requires a strong personality, combining organisation talent, drive and flexibility, and a demonstrated ability to lead and motivate. Fluency in English, French and German essential.

Top executive compensation package including incentives is offered with opportunity for further personal growth.

Detailed handwritten resumes should be sent in confidence to:

9521 L à ofa, Orell Fussli Publicité SA,  
Holbeinstrasse 30, 8022 ZURICH.

## ANALYST MANAGEMENT INFORMATION

London SW1

To £13,500 + Car

Our client is a substantial investment finance and holding company with interests in a wide variety of industrial and commercial activities, ranging from heavy engineering to high technology.

The successful candidate will join a small central team reporting to the Finance Director. He/she will be responsible for reviewing and recommending improvements to management accounting and information systems throughout the Group — with the objective of ensuring their effective and efficient operation.

Ideally qualified accountants in their late 20s/early 30s, applicants must have gained at least 2/3 years experience since qualifying in public practice or industry, and this should include the development of management accounting systems. They must be capable of working independently and of dealing effectively with senior management from a wide variety of disciplines.

For detailed information and a personal history form please contact Liam E. Fitzpatrick, A.C.M.A.,  
410 Strand, London WC2R 0NS, telephone number 01-838 9501, quoting reference: 2868.

**DOUGLAS LLAMBIAS**

Douglas Llambias Associates Ltd.  
Accountancy and Management Recruitment Consultants



and at 26 West Nile Street, Glasgow G1 2FF (041-226 3101)  
3 Coates Place, Edinburgh EH3 7AA (031-225 7744)

## Young Accountants

London

£9,500

A leading US multinational in the Fortune top 30 seeks two young qualified accountants for their London office. These are career appointments.

Ideal candidates will probably be graduate ACAs or ACMAs preferably with experience of a large firm. Those men or women who can accept the challenge of high professional standards in a fast moving environment will have the opportunity to manage

a small department or to prepare key management planning information for the UK operation.

Salary is negotiable around £9,500. Promotion prospects are excellent and depend upon performance.

Please telephone, or write in confidence to  
R. N. Orr for an application form  
quoting client reference 1901.

**Roland Orr**  
Management Consultants

35 Piccadilly, London W1V 9PB Telephone 01-734 7282

## The Challenge of Internal Auditing... ...with a European Flavour

Midlands Base • c.£8,500—c.£10,500

Our client, a major engineering manufacturer and part of a substantial international organisation, is seeking to appoint three Internal Auditors — men or women who will join the recently formed Midlands based Internal Audit team committed to a key support and investigative role throughout the company's European operations. These posts are seen as excellent opportunities for qualified Chartered Accountants keen to develop their auditing expertise in a challenging environment which also offers real prospects of development into line management.

### AUDIT SENIOR

You will be responsible for maintaining the highest standards of technical audit whilst conducting and supervising both financial and operational audits at locations in the UK and Europe. A good industrial audit background coupled with several years post qualification experience in industry is essential. A sound appreciation of computerised accounting systems is also required.

### COMPUTER AUDITOR

To provide computer audit support in all European manufacturing locations and to conduct both financial and operational audits. Ideally, you will be a

qualified Chartered Accountant who has gained computer auditing experience in an industrial environment.

### STAFF AUDITOR

To be involved in conducting financial and operational audits at manufacturing locations in the UK and Europe. You will need to have a good industrial audit background, several years post qualification experience in industry and a sound awareness of computerised accounting systems.

The salaries for these posts will be negotiable in the range of c.£8,500—c.£10,500 and there are excellent terms and conditions of employment. Relocation assistance will be given where appropriate to an attractive rural area of the Midlands. The posts will involve some overseas travel within Europe.

REF: 89681/FT

REPLIES will be forwarded direct, unopened and in confidence to the client unless addressed to our Security Manager listing companies to which they may not be sent. They should include comprehensive career details, not refer to previous correspondence with PA and quote the reference on the envelope.

## PA Advertising

6 Highfield Road, Edgbaston, Birmingham B15 3DJ Telephone: 021-454-5791 Telex: 337239



A member of PA International

## Chartered Accountant Quotations Department

The Accountant will act as Assistant Manager of a small professional team concerned primarily with applications for listing, but also responsible for general policy guidance to senior managers on developments in current legislation and accounting practice. The work involves extensive contact with company boards, advisers, merchant bankers and brokers.

Applicants, male or female, should be Chartered Accountants with at least two years' post-qualifying experience, preferably relevant to this work. The post could be equally attractive to younger accountants looking to develop their careers or to an older person seeking interesting and challenging work in this specialised area.

Salary will be negotiable around £12,000 and a comprehensive benefits package includes non-contributory pension and disability schemes, fully paid season ticket scheme, and five weeks' annual holiday.

Please write fully, or telephone for an application form, to:  
Phil Mountford, Manager: Personnel Services, The Stock Exchange, London EC3N 1HP (01-588 2355 extension 8086).



The Stock Exchange

## Scrimgeour, Kemp-Gee & Co

Members of The Stock Exchange

are seeking an

### ENGINEERING ANALYST

To join Colin Fell in the extension of Scrimgeour, Kemp-Gee's research coverage of the Engineering Industries. At least a couple of years experience of investment analysis is preferable and candidates of the quality we seek must be capable of developing their own specialisations within the broad category of the Engineering and Industrial sectors. An excellent opportunity with good career prospects and fully competitive remuneration.

Please write, in confidence, to  
Colin Fell, Scrimgeour, Kemp-Gee & Co.,  
20 Copthall Avenue, London EC2R 7JS

## ASTLEY & PEARCE LIMITED

require an experienced

Eurodollar deposit broker

Applications to:  
S. J. Rees,

ASTLEY & PEARCE LTD.,  
80, Cannon Street, London EC4N 6LJ

## BANK ACCOUNTANT

Age 26-35

c. £9,000

Newly-formed Merchant Banking arm of leading International Bank seeks to appoint a capable and ambitious person to the above position. The job involves the control of an envisaged staff of 8, handling all management accounting, profits and loss, budgeting and reconciliations.

The successful Candidate will be qualified in either Accountancy or Banking, and will possess at least 3 years' experience in a similar role within International Banking.

Prospects for personal advancement are superb, and the benefits package is in line with the best available.

For more details of the above position and the many more we are currently handling, please telephone in the strictest confidence Trevor Williams.

**BANKING PERSONNEL**  
41/42 London Wall London EC2 Telephone: 01-588 0781

(RECRUITMENT CONSULTANTS)



## HEAD OF COMPUTING AND MANAGEMENT SERVICES

£18,000 to £20,000

In the interests of promoting corporate efficiency, the County Council has decided to bring together its computing and management services into one Department under its own Chief Officer.

This is a top-level staff role in an organisation with a total annual spend of about £500m. It calls for the skill and imagination to identify the scope for using the potential of computers and the judgement to spot fruitful ground for management services activity in a large and complex organisation. But its success will hinge on an ability to work constructively and effectively with line management colleagues and elected Councillors.

Apart from the personal qualities implied, the post requires substantial experience of devising and implementing strategies for cost-effective change coupled with a good working knowledge (at least) of computing, gained either as a senior line manager or in top management of one or more of the disciplines involved.

Age is not a primary consideration — although it is unlikely that anyone under 40 will have the depth of experience and track record required.

Experience of work in a large local authority would be helpful, but so would a background in any large organisation in the private or public sector.

Private medical insurance and a leased car are included in the benefits package; and financial help with relocation is available.

Please write for further details and an application form to the County Personnel Officer, County Hall, Maidstone (or ring 0622-67411 ext. 358). Closing date 27th May.

**KENT**



**COUNTY COUNCIL**

## Bankers

United Arab Emirates c.£18,000pa + bonus  
tax free accommodation to high standard and  
car provided

Two new Senior Appointments are to be made reporting directly to the British General Manager of our client. The bank, registered in Abu Dhabi, is medium sized with involvement mainly in the commercial aspects and with an impressive growth record, both in turnover and in profit, in the period since the new General Manager was appointed in 1979.

The appointments now to be made are:

- (1) Funds/foreign exchange — Chief Dealer Head Office — ref: N5820
- (2) Regional Manager — Southern Emirates Region — ref: N5822

Candidates should be AIB preferably, or possibly ACA, MBA or BSc (Ecom). They will be aged in their late twenties to mid-thirties and will have had several years of appropriate broad based banking experience. For the Regional Manager this experience must have been gained in British banking methods; the Funds Manager may have a British, European or American background.

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# THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

## Flights of fancy but with feet on the ground

Arthur Sandles talks to a survivor in the travel industry

THE INITIAL surprise that Lord (Lew) Grade's Associated Communications Corporation (ACC) should be acquiring a stake in a prosperous but, let's face it, small travel company operating out of a suburban Sussex office block is lessened somewhat after a meeting with Reg Pycroft, owner of the company in question, Jetsave. Pycroft, glowing with that entrepreneurial bonhomie which seems peculiar to individuals who have taken risks and succeeded, Grade, always a man to avoid paper work and back a good track record, would clearly take to an organisation which so savagely avoids administrative spare tyres.

Jetsave made its name in the Advanced Booking Charter business, flying Britons to the U.S. in the days when the only inexpensive way of doing this was to observe a three or four day delay by the British Civil Aviation Authority and the North American Civil Aeronautics Board. Jetsave, which is entirely dedicated to the U.S. market, nearly fell on its corporate face when both these bodies suddenly turned into the newly fashionable business of deregulation. The fact that it is still there is something of a tribute to the Pycroft ingenuity.

Charter operating was the big boom business of the early 1970s. Scheduled airlines had yet to be infected with enthusiasm for cut-price ticketing and it was the charter companies which offered the sort of prices that tourists could afford. For a time there was anarchy, with bucket-shop retailers offering charter tickets which involved membership of non-existent clubs (affinity groups) and used ageing 707-jets which flew from fringe airports at unlikely hours. The CAA, with support from the CAB, pushed through its "own idea" for Advance Booking Charters (ABCs), which did not involve joining anything but did require a degree of forward booking.

Almost overnight the bucket shops disappeared and a new crop of licensed advance booking charter operators moved in. Operators chartered aircraft on

their own account and then sold tickets to the public. Once the scheduled carriers saw the size of the market they produced their own versions of mass-market ticketing. The competition from British Airways, Pan American, and TWA was too much for most. Today only Freddie Laker and Pycroft's Jetsave are of any real size in the business, and most ABC brochures you see under other banners are, in fact, using their aircraft of its own, it sells tickets for use on other airlines' hardware.

Last year Pycroft's Jetsave could claim to be the third largest carrier of British tourists to the U.S., after British Airways and Laker. This year, with the explosion of package tourism, he could face rival claimants.

New aggression from the scheduled carriers was not all that Pycroft had to face last year, one that many in the airline business would prefer to forget. "They say lightning never strikes the same place twice. Well it struck us about ten times last summer." The more obvious hits were a fuel crisis which added vastly to costs and made supplies extremely difficult to find, and a strike which grounded the main Jetsave carrier to the U.S., World Airways, for much of the main summer season.

"I'll tell you something. There'll be no new Rolls for me this year," Pycroft says. Pycroft's management style gives the appearance of benevolence, if highly disciplined, dictatorship. His office accommodation is in workmanlike modern style, neither spartan nor luxurious. There are five management sub-divisions: accounts, sales, operations, research and hotel contracting. Total staff peaks at 130, for a turnover which this year may approach £30m. Only six, including Pycroft, are of management status. The similarity to ACC's own way of handling things is striking.

Pycroft, a 41-year-old, is long-term airline man. He was, for example, area manager for Eagle Airways in Florida when that company collapsed in one of the more spectacular 1960s travel financial disasters.



Reg Pycroft: "There'll be no new Rolls for me this year."

It looks as if he may now be heading the rule he then made, when he found himself a lone Englishman, stranded in Miami Beach. "I had learned my lesson. It was this: no matter how big your job, if you don't own the company you are exposed. I was not going to be caught again."

He quickly moved into air brokering at the Baltic Exchange—the back-room business of making sure that the sellers of aircraft seats meet the buyers and then smelt the winds of change as the old affinity charter rules began to fall into disrepute.

"I reckoned the CAA was going to act. I took a gamble on what it would do and when it would do it, so I anticipated

its action. I scratched together everything I could. I signed contracts with airlines, I had brochures printed. Then I heard that the CAA was having a Press conference on October 10, 1973. The date is engraved on my heart. I timed my Press conference for mid-day the same day."

If the CAA had not been announcing a virtual end of affinity charters, and a switch to "advance" booking charters, Pycroft would have been back as an employee for someone—and an employee with a large portion of debt around his neck.

As it was, "Lord Boyd-Carpenter (chairman of the CAA) was holding my brochure in his hand when he made the announcement. Most of the journalists in the room had by brochure. It took three weeks before my rivals could react. By that time I was the market leader. And who was I? Just one man. Nothing."

On paper that sort of statement looks pompous and strongly laced with arrogance. In person, however, Pycroft has a way of saying the "arrogant" with a self-effacing grin. He is popular in any industry which needs close co-operation but thrives on gossip and backstabbing. It is this charm allied to a considerable helping of good fortune, which has helped him through some trying times.

But in 1974, the Pycroft luck looked like running out when financial constraints were placed on package tour companies which made some of the smaller independents squeak with combined rage and embarrassment.

That was the year in which the British travel industry was racked with the death throes of two tour operating giants, Horizon and Clarksons. The CAA, as the controlling body of both tour operators and airlines, was in the thick of it. "It had been heavily criticised for not doing enough to protect the consumer," says Pycroft. "And it was determined to do something about it."

The something the CAA did was to introduce a bonding system which inevitably favoured the asset-rich major companies. For operators like Pycroft it meant producing a bankable bond of 15 per cent of projected turnover which had to be lodged with the CAA.

In Jetsave's case this meant raising £1.5m. "I simply did not have anything like that sort of money," he says. "If I had, at that time, I would probably have dropped out to the South of France."

What he did instead was to approach the CAA with a novel scheme, for Britain at least. Under this scheme Jetsave was to waive all access to its customers' money until after they had completed their holidays. Cash flow is normally a crucial part of a travel company's calculations. Tour companies normally collect full payment for their package tours six to nine weeks before departure but do not pay for beds in hotels until some 30 days after the clients' return.

As it emerged the CAA was delighted to live the scheme—known as "escrow" and widely practised in North America—a try. It, too, was embarrassed by accusations that bonding favours such companies as Thomson which, the industry often jibes, "can always mort-

sage a newspaper or an oil well" and restricts the small companies which see the chance of sudden expansion.

It seems now that escrow has worked in Pycroft's favour if only because of the considerable financial burden it places upon Jetsave. "It means that we know exactly what the position is on every flight. It means we have to watch things a bloody sight closer. We know precisely how much money we are making, or losing, on it. And if it's losing, we pull out all the stops to change that." Flying a 737 to California and back involves high-season costs of about £130,000, so the potential for heavy losses is considerable.

It also means, however, that when Lord Grade's accountants moved in to examine the Jetsave books they were able to see an operation considerably less complicated than many in the travel business—as Court Line found to its cost when it took over Clarksons.

There is no doubt that life in the travel business over the North Atlantic is again changing considerably and whether or not Lord Grade will find he has made a wise move into it at this stage is going to depend once more on Pycroft's ability to swim with new tides.

In the past year or so he has swung much of his marketing effort into package tours, as well as his basic advanced booking charters. He is very active in the bargain basement area of Southern Florida and, after his adventures with other airlines, he is now the holder of long contracts with British Airways, Trans America, and Canada's CP Air.

Pycroft has so far managed to spot the changes in the travel wind. At the moment his main bet seems to be that some competitors have underestimated the qualitative demands of clients and will actually shy away from some of the current cut-price American offerings.

The Jetsave programme started in 1973 with 28,000 seats. Last year the company sold around 250,000 seats and had a turnover of £25m. With fuel prices, the value of the dollar and the strength of the UK economy uncertain, there are still question marks over North American travel.

But Reg Pycroft, and now Lord Grade, think these questions can be swept aside. If enthusiasm can do it they are probably right.

## Management abstracts

These summaries are condensed from the journals of abstracts published by Anbar Management Publications. Readers wishing to consult original texts should write to: PO Box 23, Wembley HA9 8DJ.

Graduate Selection. T Keenan in Accountancy Ireland (Eire), Dec. 79: p. 27 (5 pages).

Draws on research to show that the majority of UK graduate recruiters have had no training in interviewing skills, have a misplaced confidence in their own judgment, and are swayed by personal feelings towards candidates; provides hints on how graduate interviewing can be improved through, e.g., better pre-interview planning in order to establish the attributes wanted from candidates, and greater willingness to move the discussion into the interviewee's areas of knowledge.

Manners are Good Business. L. Baldrige in Across the Board (U.S.), Dec. 79: p. 13 (6 pages).

Offers advice on office manners under such headings as answering the telephone, handling executive visitors, the use of "Ms" and office party behaviour; lists do's and don'ts (e.g. "do be a neat smoker"). How to Test the Sales Effect of Advertising. C O'Herrill in Admap (UK), Jan. 80: p. 32 (4 pages).

Opines that most issues in advertising are amenable to scientific appraisal through testing; outlines the statistical concepts involved, and lists the parameters in a campaign that can be measured, e.g. media allocation. Suggests that intermediate measures of advertising effect such as "recall" and "intention to buy" are not sufficiently direct and can be misleading; argues for the adoption of sales figures as the only valid criteria for testing.

Corporate Audit Committee. R. A. Mautz and R. D. Neary in The Journal of Accountancy (U.S.), Oct. 79: p. 33 (6 pages).

Points to the growing use of audit committees and broadly welcomes the trend; warns, however, that the Securities and Exchange Commission—and others who call for stronger monitoring of business activities—seem to be pressing for audit committees to assume responsibilities well beyond those originally envisaged; argues that this expanded role involves so much time and technical expertise that the supply of non-executives capable of providing this falls well short of demand; makes a plea for moderation.

The Prospect for Peer Reviews. D. Flint in The Accountant's Magazine (Scotland), Feb. 80: p. 63 (4 pages).

Explores reasons why the peer review has become a prominent feature of the U.S. auditing scene; notes differences between U.S. and UK in the pattern of legislative and self-disciplinary control; sees no comparable pressure in UK for the introduction of peer reviews and questions whether, if peer reviews must come, it is right to leave them within the internal control of the profession.

Business Travel. R. H. Rotenberg and E. Shrier in The Business Quarterly (Canada), Winter 79: p. 43 (6 pages, tables).

Discusses how the physiological and psychological effects of prolonged air travel can affect a marketing executive's work style and efficiency, either directly or indirectly because of its effects on personal relationships, and suggests what management can do about it.

The Office Building of the Future. E. Sieverts in Büro-technik (Fed. Rep. of Germany), Dec. 78: p. 1452 (6 pages, illus., diagrs., plans, tables; in German, English version available).

An architect demonstrates how the long battle between the advocates of cellular offices and the office landscapers has ended in a draw, and how "everyone" is now agreed that what is wanted is the "group office" in a "reversible" building.

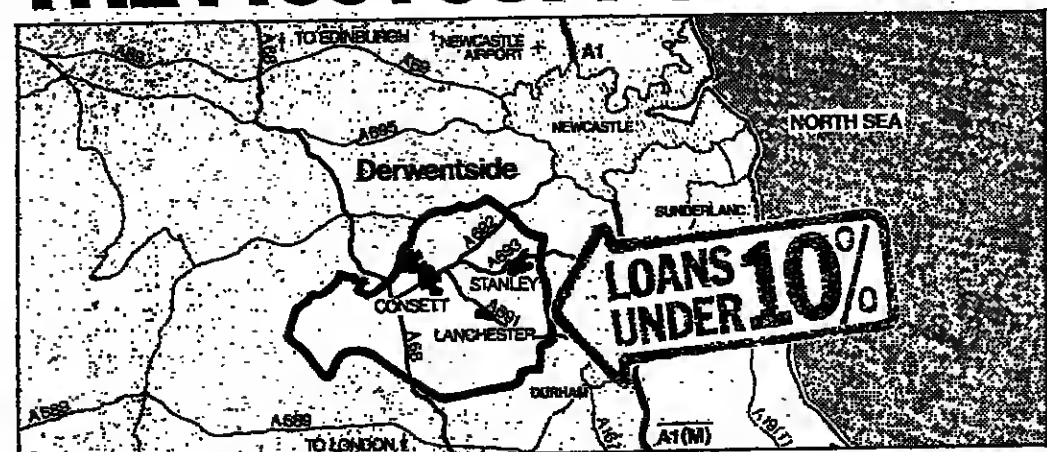
Developing an Employee Communications Policy through Research. T. K. Reeves in Journal of European Industrial Training (UK), Vol. 3, No. 7: p. 4 (5 pages, tables).

Describes a study in a large unnamed company to ascertain what information employees wanted to have about their company; tabulates the kinds of information sought by employees in order of priority; suggests that such research can provide management with a starting point for communications policy, but only that.

The Financial and Emotional Sides of Selling a Company. M. G. Berolzheimer in Harvard Business Review (U.S.), Jan./Feb. 80: p. 6 (5 pages).

The former owner of a family business, Duraflame (processed fireplace logs) outlines considerations, both personal and financial, which led him to sell out; points to principles he deduced as a preliminary to initiating the sale process, and describes the strategies he developed to find a buyer, negotiate terms and conclude the transaction.

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(Birmingham) The Garden  
Makers; North (Leeds) Beneath  
the Pennines; North East (New  
castle) Spike's Night; North-  
West (Manchester) Contrasts;  
South (Southampton) The  
Getaways; South West (Ply-  
mouth) Aztec Cruise; West  
(Bristol) Razzmatazz.

**BBC 2**  
6.40-7.30 am Open University.  
11.00 Play School.  
4.30 pm Grand Prix Race.  
7.25 Mid-Evening News.  
7.35 The Past at Work.  
8.00 The Scientists.  
8.25 The Philpott File: Inside  
a Multinational.  
9.00 The Testimonial Guit.  
9.30 The Enigma Files.  
10.20 Top Gear.  
10.45 Newswight.  
11.30 The Old Grey Whistle  
Test.

**LONDON**  
9.30 am Schools Programmes.  
11.55 The Underside Adventures  
of Captain Nemo. 12.00 Cockle-  
shell and Pippins. 12.30  
The Sullivan. 1.00 News. Plus  
FT Index. 1.20 Thames News.

1.25 pm Anglia News. 5.15 Emmerdale.  
5.30 The Farm. 5.45 Ant & Pops.  
Enterprise. 7.20 Charlie's Angels. 11.00  
The George Hamilton IV Show. 11.30  
12.30 am You Have a Minute  
Lord?

**ATV**  
12.30 pm George Hamilton IV. 5.30  
Survival. 6.00 ATV Today. 7.00  
Emmerdale. 7.15 Ant & Pops.  
Sleaze. 11.00 ATV Newdesk. 11.05  
8.W.A.T.

**BORDER**  
1.20 pm Border News. 5.15 Struck  
By Lightning. 6.00 Lookaround Tuesday.  
7.00 Emmerdale Film. 7.30 The Strains  
of France. 11.00 Ant & Pops.  
"Oath Stream. 12.40 am Border  
News Summary.

**CHANNEL**  
1.20 pm Charlie's Lightning News.  
What's On Where and Weather. 5.15  
Sally's Ride. 6.00 Report At Six. 7.00  
The 100th Anniversary of the First  
Ocean Mailers. 10.28 Channel 4  
News. 11.00 Kitz. 12.00 George Hamil-  
ton IV. 12.20 am Commentaries ex  
Provisions Meteorological.

**GRAMPIAN**  
8.40 am First Thing. 1.20 pm North  
News. 11.00 North Tonight End Arney  
Weather Forecast. 11.40 Ant &  
Sleaze. 11.00 Reflections. 11.05 Arney  
Miles. 11.25 8.40. 12.20 am North  
Headlines.

**GRANADA**  
11.50 am The Subblist. 1.20 pm  
Granada Reports. 5.15 Happy Days.  
6.00 Granada News. 6.15 News.

**RADIO 3**  
 2:35 am Weather. 7:00 News. 7:05  
 Overture (S). 9:00 News. 9:05 Morning  
 Concert (S). 9:00 News. 9:05 This  
 Week's Composer: Beethoven (S). 10:00  
 Beethoven: Choral and piano recital (S).

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Cash (continued), 3.00 Roger Scott  
 (S), 5.00 London Today (S), 7.30  
 Adrian Love's Open Line (S), 8.00  
 Nicky Horse's "Your Mother Wouldn't  
 Like Her" (S), 11.00 Tony Myer's Late  
 Show (S), 2.00 Ann Quince Johnson's  
 Night Flight (S).

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# THE ARTS

## Television

### The arts under the camera

by CHRIS DUNKLEY

Robin Day's recent declaration during *The Levin Interviews* on BBC2 that television is "a crude medium which strikes at the emotions rather than the intellect" sent me delving back to the transcript of my own interview with Day on the same channel six years previously to the day. Sure enough, he had told me: "I think the visual medium must be less rational, less cerebral than the printed word. All the great ideas of the world have emerged through writing. I don't think any great seminal, philosophical ideas will emerge through television."

Ten years as a television critic have brought me to much the same conclusion. Yet there is one area of intellectual activity where television ought logically to have some advantages over print, and that is in the analysis and criticism of the visual arts and especially, for obvious reasons, those involving movement. But the remarkable fact is that even here television does precious little to exploit its advantages and most of the time in most subjects still lags a long way behind print and radio.

As usual, of course, it is the rare exception which highlights the more general poverty. For instance, the programme about contemporary British art, *Another Country*, presented on BBC2 by my FT colleague, William Packer, was an admirable amalgam of illustration, analysis and criticism. Producer Kate Rivers followed Packer as he selected the items for the largest touring exhibition of contemporary British art since the war.

We saw some of the works, heard from artists about their intentions, and then listened to the reactions of a couple of steel workers who looked around the exhibition when it opened in Sheffield. Their responses surprised Packer, who considered their ideas about art "curiously

fixed" but I doubt if they surprised 85 per cent of the general public.

To me, the steel men seemed ready to acknowledge skill even when the results left them cold, as most did, but healthily contemptuous of the sort of modern art—typified by the pile of tree stumps—which lacks all semblance of technical virtuosity, expresses nothing but its own being, and inspires little except a powerful cynicism about the uses of Arts Council money. One of the steel workers indicated gently that he was quite capable of appreciating natural beauty (he mentioned pebbles on a beach) without needing any presumptuous "artist" to carry examples indoors.

We heard far too little from this charming but rather quiet Packer about the reasons for his choices, and the programme stopped at the very point where an entire series could have started to explore the chasm between initiates of the fine arts and the public which has been widening throughout the 20th century. Still, the programme did exist and could yet point the way to more.

Television's unique ability to combine illustration with analysis and criticism has of course been used before in the field of painting and sculpture—London Clark and John Berger have both made series—but such programmes are still rare and special.

There has been some effort and some success in working in this way with cinema on such series as BBC's *Arena Cinema* and Granada's *Cinema*. Recently Granada presented an obituary of Alfred Hitchcock which plainly ought to have been better able than any newspaper, magazine or radio programme to illustrate the essential characteristics of the man—his film making talents. Yet it suffered, as so many television programmes about film have

suffered, from being built around the available clips rather than using the best and most telling from the entire oeuvre to make the programme's points.

The same difficulty is clear in BBC's series *Armchair Critics* which starts just half an hour after *Critics' Forum* finishes on Radio 3, a useful clustering of similar materials in my view, though I quite understand those who consider it had planning. If any series were ever to prove the superiority of television's facilities for textual illustrations and analysis of the performing arts it should surely be *Armchair Critics*, since the programme deals exclusively with television itself.

True, the chairman Swan Hill and this week's critics all believe that the "studio lag" they hear on programmes such as *The Sun Trap* is authentic when actually the producer's ability to "enhance" is nearly infinite and what we hear is merely a sophisticated version of the old canned laughter.

Much more significant though: as with the Hitchcock obituary, so here it is clear that the clips come first and the commentary second; moreover the clips are chosen, I would guess, not by the critics but by the production team. Thus instead of having the advantage over other communications media of being able to illustrate with precisely the extracts required, the *Armchair Critics* are obliged either to refer to a clip which is unlikely to make their point or simply to ignore it.

Still, whatever the difficulties and the shortcomings at least television is at last receiving some fairly serious criticism in the place where it ought to be: on the small screen itself. For far too long books have been virtually the only form to receive proper regular critical attention on the box, in Reed

All About It and *The Book Programme*.

The only series which devotes itself with any regularity to critical scrutiny of broader selection of the performing arts is London Weekend's *South Bank Show* and for that it deserves our appreciation and gratitude: if only Melvyn Bragg would devote even more of the series to this sort of work.

Episodes such as Tony Palmer's startlingly subdued but admirably straightforward account of the life of Benjamin Britten, or Christopher Nupen's *Elegies For The Deaths Of Three Spanish Poets* certainly deserve space on television even if it is hard to see why they should be billed in TV Times as "The South Bank Show" and have Mr. Bragg's name tagged on to them twice, once in capitals, once in upper and lower case. However, if that is the price of getting onto the air, so be it.

It does seem a pity, though, that Melvyn Bragg is not directly involved on-screen with more of the SBS output, as he was for instance with the *Pay Weldon* programme in February when the lady writer insisted, to Mr. Bragg's ill-concealed and entirely admirable irritation, that only women could write accurately about women; as he was last week with the exemplary programme produced by Geoff Dunlop on the work of dramatist Edward Bond; and he was this week in the interview with Kingsley Amis.

Admittedly Bragg is not the world's most strident interviewer. His approach to Amis was almost embarrassingly adulatory (oddly so, it seemed, to those of us who consider the now novel rather than pot-boiling stuff). And among the questions he failed to ask the confessed didactic Marxist Edward Bond was what he was doing working in such an "elitist" medium as English theatre instead of going for the mass audience with television.

But the important point is that the *South Bank Show*, virtually alone, does regularly exploit television's unique facility to convey examples from the performing arts with the critical analysis all in one package. Robin Day's general strictures notwithstanding, it offers excellent examples of television going for the intellect rather than the emotions, and achieving shock.

You really have to hand it to the cigarette companies. Banned from paid commercials on ITV they have developed their sports promotions to the point where the BBC publicises their dangerous products for days and — in the case of the Embassy World Professional Snooker Championship — even for weeks on end. But no tobacco firm had ever managed a coup to match that of Wills at the climax of this year's final. After 10 days of showing Higgins leaving the table to light up and puff like a condemned man, it was surely a stroke of genius which will never be surpassed in the world of cigarette promotion to break in at the climactic moment and have the Wills show the SAS in Kensington acting out the phrase "Light Up an Embassy."



Sketch for 'King Cophetua and the Beggar Maid,' by Sir Edward Burne-Jones, dated 1885.

### Mappin Art Gallery, Sheffield Visiting Victorians

by BRIONY LLEWELLYN

Until the end of the year, art enthusiasts in Sheffield have an unusual opportunity to view a small but various selection of Victorian painting. In a large gallery at the Mappin, Rossetti and Burne-Jones rub shoulders with Leighton and Albert Moore. Building on the nucleus at the Mappin and the Graves Art Galleries, the organisers of this attractive and instructive show have borrowed imaginatively from the Victorian opulence of Leeds City Art Gallery, closed for almost two years for repairs and rebuilding, and from a less familiar private collection in the south of England.

The focal point is the Pre-Raphaelites and their circle. Two paintings by William Holman Hunt reveal the ideas and methods of the original Pre-Raphaelite Brotherhood, formed in 1848: in "Little Nell and Her Grandfather" the moral pointed by the image of Little Nell symbolically washing her hands of London where her grandfather had amassed crippling debts, is clear, as is the religious intent of "The Shadow of Death", where Christ's arms outstretched in a yawn cast the shadow of the Cross. In both pictures, bright colours and an obsessive attention to detail create a powerful effect. As

John Ruskin's delightful "Peacock's Feather" shows, the art critic joined them in advocating a microscopic observation of nature.

It is, however, the dream world and romantic imagery of the second, more broadly based, phase of the Pre-Raphaelite movement which dominates the room. This is seen as well as anywhere in the gouache sketch for the Tata's "King Cophetua and the Beggar Maid" where a medieval romance is sensuously expressed with soft, muted colours, sinuous forms, and above all an ethereal sweetness. The culture of medieval Europe and Asia was a source of inspiration for many artists at the time, seen here in the beautiful ladies of Rossetti and Burne-Jones and the pottery of William de Morgan.

Walter Crane's "At Home" — an elegant lady draped against a fireplace, decorated with tiles — reflects the hot-house atmosphere which was often created. No hint of their Sheffield steel background betrays John Singer Sargent's portrait of the three Vickers sisters. This, with Sickert's lovely pastel seascape, unusual for its bright blue, extends the "Victorian" boundaries into the Edwardian era.

## New York music

### U.S. orchestras

by NICHOLAS KENYON

The Chicago Symphony Orchestra was in New York for its annual series of concerts at the end of April and the beginning of May, and reasserted its claim to be the most sheerly brilliant, the most precise, the most exciting, and the loudest of all the orchestras in America. The sound of a Chicago tutti, attacking a chord on the enormous downbeat of Sir Georg Solti, is overwhelming: in both Stravinsky's *Rite of Spring* (in the first concert) and Mahler's Second Symphony (which formed the last), there were moments of frightening power. Solti is in absolute command of his forces; he heats time like an angry metronome, allowing no space for expressive bending of the rhythms or for less-than-exact ensemble.

When the music does slip apart, as it did at times in Beethoven's *Pastorale* Symphony, ooe's instinct is to blame it on the unfamiliar acoustics of the stage at Carnegie Hall. But there were still temporary dislocations in the Mahler at the end of the week, which suggested that this finely-honed ensemble does not perhaps listen very closely to itself. Individual sections are outstanding: warm cellos and basses; crisp, lyrical well-blended wind; and (most characteristic) sharp, shattering brass; but does it sometimes play on Musically, too, there were some doubts. Solti's interpretations are now essentially very plain, deriving their effect from their perfect proportions, their hard-driven rhythms and their exactly shaped phrasings. There are few surprises. A work such as the *Pastorale*, whose life-breath is melody and subtly simple harmony, seems very low-key in Solti's hands. The timbre of the strings is lovely, if over-weight, but the familiar clipped Solti beat persists even where the music broadens miraculously in the slow movement. Stravinsky's *Rite* benefits far more from Solti's distanced precision: he captures one facet of the work to perfection. It is good to hear Mahler, too, done with this clarity, in which every line can be discerned; and there was exceptionally fine singing from the Chicago chorus, Isobel Buchanan — familiar from the Glyndebourne *Zauberflöte* — and the entrancing Christa Ludwig. Yet something was missing: Mahler should not sound like an intricate, artfully-fashioned machine.

The traditional virtues of orchestral playing are enshrined in the Philadelphia Orchestra, from which Eugene Ormandy retires this month after 44 years: Riccardo Muti succeeds him. I did not expect to enjoy their sound or their notoriously conservative repertoire; but every concert I have heard this season has been outstanding. The strings have a fuzzy edge to their ensemble; there is a feeling of bounce rather than of sharp attack in the rhythms; the whole is capable of being moulded into the most expensive and responsive orchestral instrument. Under Ormandy, they gave a splendid Sibelius Second Symphony and provided an accompaniment to Rachmaninov's Second Piano Concerto that put the soloist to shame; under James Levine they played Schubert's Ninth with such freshness and bloom that one thought they had discovered it the previous day.

The usual rival to Chicago

among the big orchestras is thought to be Cleveland. The ensemble is indeed supremely efficient, without a weak link, there are good wind soloists and the string playing is far above the standard we usually encounter from the London orchestras (and from the New York Philharmonic). But under Lorin Maazel, the orchestra has little subtlety or charm: I heard a Mahler Fifth Symphony that I thought positively misleading, with no Viennese lilt in the manic waltz tunes, no deep resonance or wildness in the strings and brass. Like Chicago, the strings played their lines with exceptional clarity and purity, without portamento, so that where a glissando was marked it sounded awkwardly out of place. Maazel put every note in place and cued his players impeccably. And that was all.

On the West Coast, Edo de Waart conducts the San Francisco Symphony (he has commissioned a work from Steve Reich for performance later this month), and Carlo Maria Giulini is in his second season with the Los Angeles Philharmonic. This latter marriage is curious: in a series of concerts at Carnegie Hall, Giulini conducted slow, drifting interpretations of Beethoven's *Pastorale*, the Adagio from Mahler's Tenth, and Dvorak's Seventh Symphony. He did not seem to have any marked effect on his players, who produced rather rough, not especially well-co-ordinated sounds. Perhaps the collaboration has already deepened. Giulini certainly has some original points to make, if he can convey them to his orchestra.

Among other visitors to New York, the Pittsburgh Symphony made a considerable impression under André Previn: the individual playing is not outstanding, but Previn's neat sense of ensemble and crisp rhythms gave a welcome zip to everything they played, especially the Walton Symphony. (They also had the inestimable benefit of Martha Argerich as a sensual, rhapsodic soloist in the first Chopin Piano Concerto.) From Canada, the Toronto Symphony gave one of Carnegie Hall's most enjoyable concerts under Andrew Davis (their music director for the past five years) — but it was the radiant soprano offstage Norman in Act One of Wagner's *Die Walküre* and the fresh, impulsive direction of Davis that gave this event its quality; the orchestra supported solidly and reliably. There have been some enterprising programmes: an all-Szymanowski evening from the New Jersey Symphony Orchestra; Janacek and Varese alongside American music by Donald Martino and John Harbison; from the Orchestra of the 20th Century (an occasional New York group); the New York premiere of Roger Sessions' short and powerful Ninth Symphony under their bright music director Christopher Keene. And from the Brooklyn Philharmonic under Lukas Foss, an impressive four-concert retrospective of American music in this century. Both in fare and in performance standard, these New York concerts have revealed as less than satisfactory the activities of the town's one professional symphony orchestra.

The usual rival to Chicago



Bernard Levin (right) talks to Robin Day in 'The Levin Interviews'

### Oxford Festival of Theatre

by GARRY O'CONNOR

Don Quixote all too rarely tempts adapters for the stage but as the Actors Touring Company showed in their marathon two-part version in the second and last week of the Oxford Theatre Festival, in the Newman Rooms, not only are the opportunities for comedy diverse, but the character interplay between Quixote and Sancho Panza, and Quixote and his poignant, chivalric madness, is almost inexhaustible. Wisely, this adaptation by Richard Curtis, done jointly with the director, John Retallack, has cut to a minimum the elaborate prose of Cervantes, which began as burlesque but became all too real as Quixote's disordered imagination takes flight, and kept to the bare narrative, making the most of

the chases, fights, slapstick, magical illusion, and even a puppet play within a play.

All this they do with only a company of six. Part One is more rooted to the Iberian mainland, with peasants toiling under the blazing sun, or breaking in horses, or weary travellers waylaid on the road. Quixote tilting at the windmills he believes to be giants in the grip of an enchanter, is neatly achieved by actors atop stepladders twirling yet more ladders. The production abounds in economical and inventive detail.

Part Two, the Death of Don Quixote marshals a greater array of eclectic effects, among them the singing of "Greensleeves", a parody of Hamlet's Ghost, and a strong resemblance to Brecht's

Azda as Sancho is put through his paces as governor of his highly prized island. Even so interest rarely flagged for a total of well over four hours, and special mention must be made of the outstanding range of atmospheric and musical effect provided by Dick McCaw, aided by members of the cast who were not actually on stage. Jack Ellis (Garry Hill as Quixote) and Chris Barnes (as Sancho) excelled in the three main parts, though the company showed wonderful teamwork as a whole.

Teamwork, more ragged and bucolic, but nonetheless warmly welcomed, was the keynote of the Buddhist Royal Dancers and Musicians of Bhutan, at the Playhouse. Tripping about to the clash of cymbal, the mournful

honk of overgrown horns that resound on the floor, these amiable male performers sport grotesque masks and exotic costumes which make them often seem like visitors from another planet performing Punch and Judy.

Duke Ellington Anniversary Concert  
This year's Duke Ellington Anniversary Concert takes place on Sunday, May 18 at the Elizabeth Hall. Heading the bill is the Midnite Follies Orchestra with singer Johnny M. Featured guest is tap dancer Will Gaines. Compare is jazz critic and broadcaster Peter Clayton. Ticket prices are from £1.50 to £3.25.

### Arts News in brief

The Arts Council has approved its fourth series of bursaries for composers, with major bursaries of £5,000 for John Buller and Tim Souster and of £4,000 for David Bedford, and 11 minor bursaries of between £1,500 and £3,000. The bursaries were selected from 100 applications.

John Buller's bursary will enable him to complete various commissions including ones for Electric Phoenix, Jane Manning and Barry Guy, and the Hilliard Ensemble. Tim Souster's bursary will enable him to compose a large-scale electronic piece to be realised in his own studio. He is also to write a theatrical work conceived in terms of a complete fusion of music and theatre, in collaboration with the French director and pro-

ducer, Pierre Audi. David Bedford's bursary will enable him to write an opera based on Kenneth Patchen's novel *The Journal of Abdon Moonlight*.

The Arts Council has commissioned a research study into inflation in the arts. It will be under the direction of Professor Alan Peacock and Mr. Eddie Rossmith, of the University College, Buckingham.

The study, which will take approximately two years to complete, will provide information on the effect of inflation on patterns of expenditure in the arts. Initially the performed arts will be investigated, but it is possible that the study will be broadened if resources permit.

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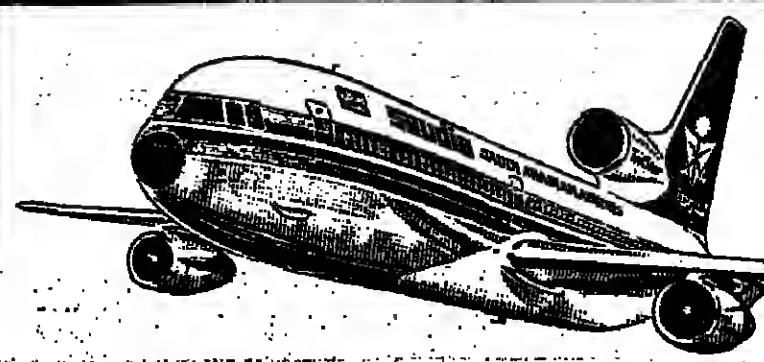
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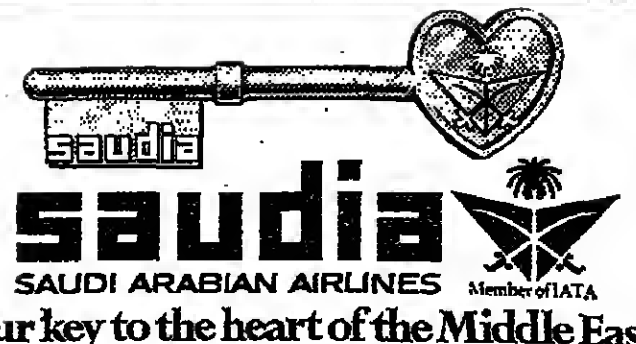
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Tuesday May 13 1980

# What unions are for

WHILE MINISTERS have been condemning the "Day of Action," some trade union leaders are defending it and judges pronouncing on its legality, the practice of industrial relations in Britain continues along its depressingly familiar path. To take just one current example, the Talbot production line at Linwood in Scotland was shut down for several days because of an argument over whether four men or only two should be moved from one part of the factory to another. There is, of course, no direct connection between the demonstration planned for tomorrow and the real world of industry. Yet the contrast highlights one of the basic weaknesses of the trade union movement — the preoccupation of national leaders with political activities at the expense of their industrial role. If the trade unions were effective, well-run organisations at the industrial level, their political campaigns would carry more weight. As it is, they are in danger this week of making themselves look ridiculous in the eyes of their own members and of the public at large.

## Procedures

Some opponents of unions may be hoping that tomorrow's protest will turn out to be a fiasco and thus undermine still further the prestige of the TUC. But is a weak or disorganised trade union movement what the country needs? Most employers would prefer to deal with strong unions whose officials, national and local, are able to speak authoritatively on their members' behalf and to ensure that procedures and agreements, once entered into, are observed. It is the lack of such leadership which is partly responsible for the anarchic state of labour relations in British industry. For a variety of reasons, including social changes and the deliberate policies of men like Mr. Jack Jones of the Transport Workers, power has drifted down to the shop floor. Groups of workers have been encouraged to pursue their sectional objectives through unofficial channels. Shop stewards, often with the connivance of management, have taken over powers formerly exercised by full-time officials. The pursuit of political influence by national leaders has widened the gap between them and the rank and file.

Employers have sometimes aggravated the problem by their own indifference to procedure and by giving in to unofficial

action. It would be quite wrong, for example, to ascribe the lack of discipline on large construction sites — of which the lagers' dispute at the Isle of Grain power station is a recent example — solely to shortcomings on the trade union side. Solidarity among employees on any particular industrial relations issue, has proved remarkably difficult to achieve. But the fact remains that the weaknesses in the structure and organisation of trade unions represent an obstacle which even the best managed companies cannot wholly remove.

## Public image

It can be argued that the trade union movement is going through a bad period because of the recent departure of several dominant personalities and their replacement by men who have yet to establish themselves on the national stage. After the election defeat relations with the Labour Party are uneasy, while the tide of public opinion is still running strongly against unions. In these circumstances a reassessment of the reasons why they are in business for is urgently needed.

The trade union movement is not about to wither away, nor is it realistic to expect trade unions to abandon their political ambitions. But gestures of defiance against a Government which enjoys a large majority in the House of Commons are unlikely to improve their public image — or to promote the interests of their members. It is in the industrial sphere where the failure of the trade unions is most evident. The energies of the leadership should be directed towards exerting authority in those areas where the unions have a clear responsibility.

# British model for Chrysler

THE DECISION of the U.S. Government to rescue the Chrysler Corporation follows a pattern that, at least until recently, has been more familiar in Britain than in America, and with discouraging results. True, the authorities are providing loan guarantees rather than a direct grant, but the basic principle is the same: a major company cannot be allowed to go bust largely because of the effects that bankruptcy might have upon employment. Instead it is shored up by public support in the often elusive hope that the need for such assistance will prove temporary.

## Small cars

In American terms, the help to Chrysler is a fairly radical departure from past practice. Mr. Lee A. Iacocca, corporation chairman, told a committee of the U.S. Congress last autumn that there could be no question of setting a bad precedent because the principle of loan guarantees had long been established. Yet the scale of the aid to Chrysler goes beyond anything agreed so far. In the case of Lockheed, which received Federal aid, the Administration evidently felt that it could not afford to lose a major defence contractor. In the case of Chrysler there is no such excuse.

It is also instructive to compare Mr. Iacocca's testimony to the Congressional committee in the autumn to what has happened since. He said then that if Chrysler was to regain its position as a strong and profitable competitor, it must continue to offer a full line of cars and light trucks. "Those who suggest that Chrysler should become a producer of small cars only, of trucks only, or of specialty vehicles only, ignore the most basic facts of the automobile industry. Chrysler cannot survive as a producer of small cars only. The profit margins on sub-compact cars are simply not sufficient to sustain the operation."

Yet in the interim Chrysler has been steadily reducing its range. A few months ago it still hoped to keep five car families in production; the

number dropped to three and is now down to two. The company is now announcing further cutbacks in return for the loan guarantees. So much for the hopes, expressed in the autumn, of being able to compete with General Motors.

It is futile to blame the company's circumstances solely on the fall in car sales and the need for investment brought about by the demand for energy-saving vehicles and new standards of emission and safety. Those factors also affect Ford and GM, not to speak of the foreign competition, yet Ford and GM are surviving without Federal help. If they do run into trouble now, the precedent has been established that a car company cannot be allowed to go to the wall.

There is also an international point here. Many of the U.S. complaints against cheap imports are based on the argument that foreign goods — steel, cars, television sets — are subsidised, and it is true that most European countries have provided some aid to their car industries while the Japanese over-protect their home market. Now that the Americans have joined the game, it will be harder to re-establish the rules of fair competition. What is happening, in effect, is a competition for subsidies.

There is, of course, no reason to expect American politicians to behave any better than their European counterparts, especially in an election year, though one might have expected to bear more about market forces. The argument in the Chrysler case was conducted almost entirely in terms of the need to protect existing jobs.

## No more

The irony is that if Chrysler survives it will do so in a form quite different from that of the company Mr. Iacocca and the Government wanted to save. It will no longer be America's number three. That kind of surgery might have taken place had been allowed to go bankrupt. The very last that the Administration can now do is to say: "£1.5bn and no more."

WHISTLES of surprise were the first reaction to the news yesterday that the S. and W. Berisford group had launched a takeover bid for the British Sugar Corporation. The move itself was not entirely unexpected, but the timing was. In March Berisford increased its shareholding in the BSC to 9.9 per cent showing it was interested in a possible takeover. But it was thought that any move would be delayed until the Government — which has a 24.2 per cent stake in BSC, making it the largest single shareholder — had made up its mind whether or not to honour its election pledge to dispose of such state holdings as a means of raising funds to help cut back public borrowing.

Latest results from Berisford show a pause in the group's explosive growth in recent years. BSC's pre-tax profits at £32.4m for the year to September 30 were marginally above those of Berisford in the same period (£33.2m). In the City the initial assessment — one that brought a sharp drop in Berisford's share price — was that the group had bitten off more than it could chew.

Apart from the financial side, there are several intriguing questions posed by the bid. The Berisford group, among its many trading activities, is Britain's biggest sugar merchant and handles half of BSC's sales as well as a fairly hefty slice (between 20 to 25 per cent) of the sugar sold by Tate and Lyle, the only other UK sugar refiner.

This raises the question of whether the bid should be referred to the Monopolies Commission. British Sugar claims there is no question but that the bid should be looked at.

If the takeover was to go through in the existing state of control well over 50 per cent of total UK sugar sales — a position that was acceptable for Tate and Lyle when the industry was under the tight Government control before Britain's entry to the Common Market, but which would be considered unacceptable now with the Government no longer setting the price or limiting supplies, except in line with the Common Market sugar regime.

However, Berisford claims that there would be no question of it retaining the merchandising of Tate and Lyle sugar if the takeover does go through. Profits from UK sugar merchandising, according to a spokesman, are "peanuts" when compared with the total business of the group, even though some 1m tonnes of sugar is handled.

The operative word is "handled" since the merchandising set-up of sugar in Britain is peculiar to say the least. The two refinery companies (BSC and Tate and Lyle) undertake the marketing and delivery of their products, but a large proportion — something like 30 per cent — is distributed and invoiced through the merchants, who receive a commis-



Mr. John Beckett, chief executive of BSC, and sugar beet travelling on conveyor belts at one of British Sugar's refineries

sion handling charge. The merchants also sell in a more normal way sugar imported from other EEC countries.

This peculiar set-up is a legacy from the past, when the market was controlled by the UK Government but was subject to influence from the world market. Advice offered by merchants to customers is apparently still valued as an extra service, and from the refiners' point of view they receive prompt payment from merchants, when customers are slower in paying up.

So it is an arrangement with some advantages to all, even

there have been hints that the Government favours an inquiry

though BSC has been busily stepping up direct sales. Theoretically if Berisford did dispose of its Tate and Lyle business it would control less of the merchant side than it does now. But there is still the question whether the Monopolies Commission should examine if it is advisable to permit this kind of vertical integration when the biggest merchant in an industry wants to take over such a major producer. It could leave competitor companies in a difficult position, and there have been strong hints that the Government would favour a Monopolies Commission inquiry.

The other major question surrounding the proposed takeover is whether there is benefit in the two groups coming together — the point of most importance to shareholders in both companies.

British Sugar says there is no logic to it at all. It points out that the groups are entirely different. BSC is a highly capital intensive industry, with big assets; serving UK agricultural interests and the con-

sumer, and taking a long-term view when making policy decisions. In contrast it says, Berisford is a City of London based group of international traders, with few fixed assets, taking a short-term view and relying on sugar for only a relatively small proportion of its profits. BSC describes the sugar interest as purely coincidental in groups with entirely different philosophies and aims.

Essentially British Sugar is a production-based product company that has invested a great deal of money (£150m in the past five years) in building up its assets and market share. Berisford is a totally different kind of animal relying on trading skill and expertise in international markets to achieve spectacular growth. Its main asset is skilled traders, dominated by its chairman, Mr. E. S. Margulies, who has built up a formidable team and reputation.

Not surprisingly Berisford takes a somewhat different view of the proposed takeover. It sees considerable potential. First and foremost, the reason for the bid is that Berisford is anxious to use profits made in the past years to build up a solid assets-rich base in the UK for the group. It would provide bread-and-butter, with Berisford adding the jam. BSC is seen as a tailor-made vehicle to help achieve that ambition, with the added bonus that it could provide a platform for great opportunities, utilising the Berisford skills in bringing suppliers and consumers together.

It sees British Sugar as being too production minded and not making the most of the opportunity to provide extra income for the farmer and a better service to the consumer.

It is also claimed that the development company set up by British Sugar to sell its production expertise overseas could be considerably expanded using Berisford's knowledge and contacts round the world.

## STRONG CHARACTERS

TWO STRONG characters are locked in combat over the Berisford bid for British Sugar.

Since joining British Sugar as chief executive in 1975, Mr. John Beckett has made quite a name for himself as a tough, uncompromising individual who doesn't suffer fools gladly. He has certainly not courted popularity in his drive to expand BSC to the point where it supplies more than half the UK market. He has shown a determination similar to that of his brother, Sir Terry Beckett, chairman of Ford (UK).

Mr. Beckett who has clashed with both farmers (in the West Midlands) and the cane sugar refining industry, on occasions has been dubbed the "steamroller from Tarmac" — the company he used to run and where he remains a non-executive director.

A similar exercise has been successfully carried out by Berisford in the metals industry, where a UK-based company, Tom Martin, has been considerably expanded and strengthened since being taken over some years ago. It is not an exact parallel since Tom Martin is a scrap metals business with a large trading involvement dependent to a great extent for its profits on reselling the market right. Nevertheless it does illustrate the group's awareness that cannot go on relying on traders' expertise to expand profits all the time and must have something to fall back on when the markets turn down and the going gets tough.

Merchandising and commodity trading accounted for more than 75 per cent of Berisford's profits last year and 94.5 per cent of total group turnover, so at present it is very dependent both on commodity markets remaining active and on being able to forecast trends correctly.

Its profits last year were hit, for example, by the fall in the world cocoa market where Berisford is a dominant influence. This year turnover will be affected by the downturn in metals, but should ironically be boosted by the boom in the world sugar market.

Thus it can be seen why Berisford is keen to acquire more solid assets even though the group in recent years appears to have concentrated on profitable trading activities and has been prepared to reduce its commitment to the imported foods sector — the original main business of Berisford before the group came under the control of Mr. Margulies.

Mr. E. S. Margulies (known as Marg) prefers to keep out of the limelight, but he is something of a legend in the London commodity markets. His deals, notably in cocoa, have brought criticism from some quarters since he is a past master at taking advantage of market situations, particularly technical shortages of supplies.

He is very much the driving force behind the spectacular expansion of the Berisford group in recent years. His shrewdness and expertise in commodity dealings have made the group one of the world's leading cocoa/coffee and sugar merchants, and also established it as a fast-growing business in metals and other commodities.

Berisford strongly denies that it is a one-man band, but there is little doubt that Marg is very much in control.

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# MEN AND MATTERS

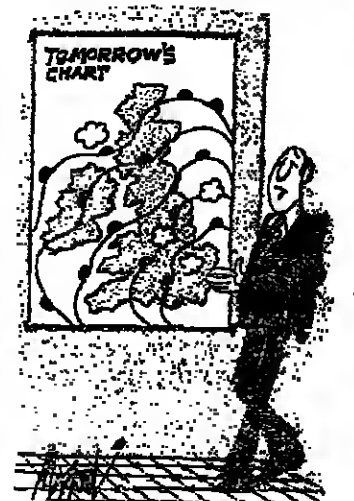
## Neighing noises at the gate

Will life ever settle down to normal at Christy Brothers, the Chelmsford-based mechanical and electrical engineering group? Throughout the seventies one group after another had a go at "making something of the company," as they used to say. First, there were the ebullient brothers in the heady days of the last dealing and property boom. Then fellow engineers WGI had a nibble, and at one stage First Talisman had a look around.

But in January a new Board was announced while blocked as if it had its mind on engineering and Nicholas Davidson, the non-executive director and legal advisor who had steered Christy through its rodeo years, announced that it had "seen the last of the cowboys."

Yesterday, however, he was sighing, "we can hear the jangle of spurs again."

The description is not likely to please Simon and Coates, the City stockbroking firm another round in the takeover



A wave of apathy spreading slowly across the country with brief outbreaks of hot air from the direction of the TUC?

ring for Christy. It wants to reconstitute the group yet again under John Dyer, who heads the fastening and light engineering division of Armstrong Equipment.

Dyer and his wife have around 9 per cent of Christy's shares already and Simon and Coates is mounting a bid for the rest which, if successful will end up in institutional hands.

Quite why the brokers think it worthwhile to have another go at Christy is not clear. Certainly, Dyer already appears to have his hands full. His own division back at Armstrong has its hands pretty full at present following four years of major acquisitions. Among the many additions Dyer has to look after already are Ormond Engineer, Anglo-Swiss, Hillcrest Engineering and Corncroft.

## Bank job

It is not only the British who have to conduct worldwide headhunts for senior executives. Tima has also been running out for the National Bank of Kuwait — the country's oldest and largest with total assets of £800m — to replace its acting general manager Geoffrey Pink. Despite owning one of the prettiest yachts in the Gulf, he is coming home to Britain this summer.

The chase by the London-based headhunters Spencer Stuart Associates led across the world, and involved researching 150 people. First mooted at \$100,000, the salary rose as the months went by. The new incumbent appears to have held out for a price which — including Kuwaiti luncheon vouchers or their Gulf equivalent — is thought to be well over three times that figure.

The chosen man is Gerrit ("Gerry") Vanema, a Dutchman discovered working in San Francisco. He leaves his present job heading the European, Middle Eastern and African division of Wells Fargo at the end of this month. The fact that this division

operates out of London may well have proved the clinching point in Venema's success: NBB is on the point of setting up a branch in London. Gulf watchers will perhaps pose the question: Whether the United Arab Emirates, the established London consortium bank? NBB is its largest shareholder.

## Working on apples

Wearing the British housewife off French Golden Delicious apples has proved no easy task, and I can only commend the optimism of Richard Venables, the new chairman of the Apple and Pear Development Council.

Latest example of agriculture minister Peter Walker's enthusiasm for marketing men. Venables, chairman of advertising agency Ogilvy Benson and Mather, faces a nation eating 225,000 tonnes a year of French apples. "We must start," he says bravely, "from the consumer, find out her preferences, and work backwards."

If he does not manage to head back the deluge, at least Venables should come up with a decent slogan to match the Gallic "Le Cruch" campaign. His agency was responsible for such general marketing classics as "Drink a Pint of Milk a Day" and "Go to Work on an Egg."

## Quick thinking

American politicians always get twitchy as elections approach, but U.S. vice-president Walter Mondale was perhaps taking caution too far during the Tito funeral in Belgrade.

In the intervals of the long-drawn-out ceremony the various foreign delegations repaired to a series of rooms for refreshment. A shortage of rooms produced some unusual drinking companions, I hear. The UK contingent, for instance, which included Prince Philip, found itself sharing sandwiches and small talk with Yasser Arafat and the PLO delegation.

There was general courtesy all round, even if the hand-

shakes were on the limp side — until Mondale decided to pay a friendly visit to Mrs. Thatcher and her party. Catching sight of Arafat's distinctive headgear, he instantly turned on his heel, leading his entire entourage to a less contentious watering hole.

## They said it

A reader has kindly sent me a page from the Barclay's Dictionary of around 1838, and draws my attention to the definition of a stockbroker: "S. a low mercenary wretch," it says, "who gets money by buying and selling in the funds."

## Copper-bottomed

In a less lofty arena, the awe of many Americans at the activities of Bunker Hunt et al has been reflected in a frenzied hoarding of one cent pieces. Signs outside the stores in Washington DC plead for "exact change please."

Copper fever took off during February when the metal reached \$1.41 a pound. Although it is now hovering below 90 per cent, the distrust of paper money is keeping the biscuit tins full. After all, what could be more copper-bottomed than copper coins?

A source close to the Federal Reserve tells me: "People have been calling and asking to pick them up by the truckload." Officially, the Reserve is prudently saying nothing. Although the Mint has been making 20 per cent more cent pieces, this seems to have done little to cure the speculation. Indeed, since the Mint has been y have made things marginally more copper-bottomed.

## Dreamless Slough

Gao the Holiday Inn at Slough be altogether wise to advertise under the slogan: "Nobody sleeps at a Holiday Inn"?

Observer

Villiers

Wolverhampton Industrial Engines Limited which acquired the industrial engine assets of Norton Villiers in 1977 has now changed its name to

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# FINANCIAL TIMES SURVEY

Tuesday May 13 1980

# Accountancy

Among the leading professions accountancy has probably been subjected to more than its fair share of public criticism. This is because accountants, in one guise or another, are closely involved with the business community. This survey, published in the centenary of one of the leading institutes, reviews developments and prospects.

## High ranking through merit

By Michael Lafferty

THIS WEEK chartered accountants throughout the UK will be celebrating the centenary of the Institute of Chartered Accountants in England and Wales (ICAEW). They will be joined by many distinguished accountants from overseas, and the occasion is to be honoured by the presence of the Queen and Prince Philip. The celebration plans are elaborate, and the objective of the organisers is to demonstrate the high position which chartered accountants have achieved in Britain's society over the hundred years since they were granted their Royal Charter by Queen Victoria. It is a week during which chartered accountants are expected to feel proud—proud to be chartered accountants and most of all proud to be English chartered accountants. There is, it must be said, plenty to celebrate. Which other country in the world has accorded its accountants the

status which chartered accountants enjoy in the UK? Certainly not the U.S., Japan or any country in Continental Europe.

How many other professional accounting qualifications are as saleable around the world as that of the British chartered accountants? The answer must be few, if any at all. In which other leading country are most large company finance directors also qualified (chartered) accountants? Again the answer is probably none.

Finally, in which other British profession are the opportunities and rewards available so uniformly good as they are for chartered accountants? Possibly solicitors do not do too badly, but it is a safe bet that senior chartered accountants in practice receive far more reward for their efforts than even the senior partners in top City legal practices.

Members of professional body which has attained so much in a century must have something to offer which society, and business interests in particular, are willing to pay for. Chartered accountants are experts in the legal and quasi-legal framework within which business operates in the UK. They dominate the function of statutory audit; they dominate the field of tax advice; they are the people who design company accounting and reporting systems, both internally and externally. Altogether, there are few areas of business activity with financial and legal aspects where chartered accountants are not involved. It could be said that they have the market tied up.

This is the picture of British accountancy which is generally

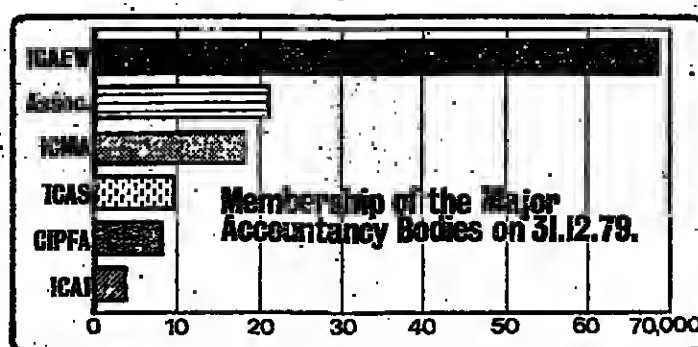
painted within the profession. It is one way of looking at the success or failure of a profession.

Another way of assessing the profession is to look at its success or failure in serving the needs of those who use its output. Given that the principal function of accounting firms is that of audit, it seems legitimate to consider how far published accounts go in serving the needs of accounts users—whether shareholders, investors, employees, the Press or government. Here success is far more difficult to confirm.

Certainly it is true that the British accountancy profession has gone a long way to serve user needs and the public interest in general through its programme of accounting standards. Yet it has to be remembered that this only started ten years ago.

Even with accounting standards the position remains far from satisfactory. Typically, these days are sufficiently flexible to accommodate at least two methods for doing things. Even where standards are fairly clear-cut there have been examples of companies applying accounting methods which were non-standard, without any qualification from auditors.

The truth is that British accountants have not yet accepted the idea that accounting is simply a language, and as such ought to be the same for all types of economic entity. They talk in public about the importance of Companies Acts requirement that accounts should give a "true and fair view." But in practice many



The following legend applies: ICAEW — Institute of Chartered Accountants in England and Wales and Associates; ICMA — Institute of Cost and Management Accountants; ICAS — Institute of Chartered Accountants of Scotland; CIPFA — Chartered Institute of Public Finance and Accountancy; ICAI — Institute of Chartered Accountants of Ireland

accountants would admit that a more flexible approach also facilitates good client relationships.

As things stand, therefore, there are still many true and fair views. It simply depends on the auditor's judgment in each case. This position is obviously unhelpful to accounts users and becomes extremely odd in some cases. Recently, for example, there has been the case of Price Waterhouse saying that the accounts of two clearing banks—Lloyds and Barclays—were true and fair, without qualification. Yet the two banks had used entirely different methods in calculating bad debt provisions.

The big issue which the accounting firms have yet to face up to, in the eyes of many

of their most formidable critics, is whether they have the ability to be objective in their work. Accounting firms these days, especially the larger, are a long way from being the professional partnerships of the immediate post-war days. They are now large businesses and make little effort to disguise that fact. As such a major objective is to improve profitability.

This approach does not necessarily fit comfortably within the ideals of independence and objectivity. In theory auditors are the agents of shareholders, and possibly other accounts users. In practice they generally look to company management as their clients. This position of potential compromise is made all the more unsatisfactory by the numerous other

services which auditors offer their clients.

Auditors tend to respond to such criticisms by saying that nobody can be aware of the numerous cases where their threats to qualify audit reports have forced companies to adopt more satisfactory accounting methods. This is true. But on the principle of judgment by exception, there are a disturbingly large number of cases over recent years where auditors have not done all they could have done in accounts' users interests. Nor has there been many particularly noticeable cases of an auditor stating publicly that a particular set of accounting methods do not give a true and fair view.

Contrary to what is sometimes suggested, the problem of independence and objectivity in auditors is not a matter that solely concerns small accounting firms. Many of the cases of unsatisfactory auditing referred to have concerned the major international accounting firms.

Th extent to which auditors carefully avoid offending their clients—actual and potential—is often strikingly obvious in the field of research. Accounting firms ought to be an ideal base for published accounting research. They have access to more information about particular company or industry practices than any other organisations. But in practice little is ever published.

Earlier this year Coopers and Lybrand published a glossy book entitled "Financial Reporting in the Mining Industry—an International Survey." Rarely was there any comparison of particular practices on a readily

comparable country-by-country basis and never by inter-company comparisons. Similar criticisms can be applied to several other major accounting firms. The function of these publications is simple, they are designed at least partly to attract new business.

Given the strong and growing business orientation of British accounting firms, it is worthwhile considering whether these same firms should be allowed to regulate their own affairs.

The position is fairly exceptional. The big accounting firms set company accounting standards through their dominance of the profession's Accounting Standards Committee, they check companies' compliance with the standards in their function as auditors, and it is now being suggested that they should play a major role in monitoring compliance by both companies and auditors.

The UK is almost alone in its adherence to the concept of self-regulation, both in accounting and other areas of City activity. The best known case of statutory regulation of the accountancy profession is of course the U.S. where the Securities and Exchange Commission has been functioning since the 1930s. But statutory regulatory bodies also exist in Canada, Japan, Australia, France, Belgium and Italy among other countries. Holland has a form of "Accounting Court" to which people who are unhappy with a company's accounts may appeal.

In contrast with all these countries, the UK has no

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enforcement procedure in the field of quoted company accounts. It would be an exaggeration to say that companies can do what they like in their accounts, with or without audit qualifications, and fear few consequences. But the position is closer to this than many auditors would be prepared to admit.

After all the scandals and criticisms of the past decade the British accountancy profession is now involved in, like with the Stock Exchange and other City bodies to seek some form of self-regulatory enforcement system for the UK. Does the idea have any chance of working? Many City accountants say privately that it will not work.

Mr. Tom Watts, chairman of the profession's Accounting Standards Committee, is the man leading the search for such an approach. Writing in the current issue of *Accountancy*, the official journal of the English Institute of Chartered Accountants, he predicts that by the turn of the century statutory Companies Commissions will be the rage all round the world.



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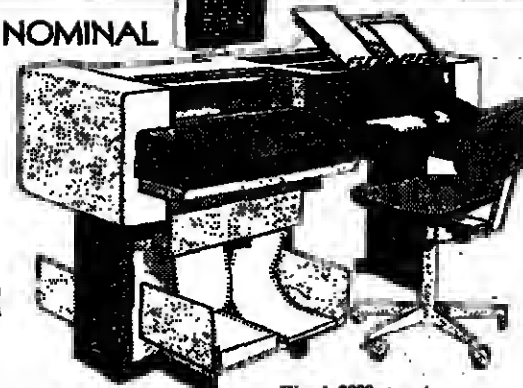
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## Leader role in industry

WHEN Mr. Eric Sayers, chairman of the industrial group Duport, was elected president of the English Institute of Chartered Accountants for 1979-80 he became only the second businessman to be honoured in this way during the Institute's first 100 years. The presidency has been the almost exclusive preserve of partners in professional firms. But it will be very surprising if, during its next century, the Council of the Institute does not reflect much more obviously the growing role of accountants in industrial management.

A recent survey of the 68,000 members of the English Institute (of which 10,000 are resident abroad) has shown that only a minority of 47 per cent are in professional firms (whether as partners or employees). Some 35 per cent are in industry and distribution, and another 6 per cent or so are in the financial sector. The figures demonstrate the widespread role played by chartered accountants throughout the economy.

Membership of one of the chartered institutes remains perhaps the most highly regarded specific business qualification in the UK. Only in areas where other professional specialist qualifications are firmly entrenched do accountants fail to be strongly represented. Examples are insurance, the domain of the actuarial profession, and banking.

The senior industrial post most often associated with the chartered accountant is of course that of finance director. A study carried out in 1976 by the specialist headhunting firm Heidrick and Struggles (H and S) showed that some 81 per cent of chief financial officers of the 300 largest UK industrial companies were chartered accountants. Cost and management accountants, with 13 per cent, came a rather poor second. This is in strong contrast to the situation in the U.S., where under 40 per cent of chief financial officers had any kind of accounting qualification.

## Gathered

Another more recent survey conducted by H and S covers new chief executive appointments in the UK. Data gathered during a three-month period in 1979 suggested that approaching a quarter of chief executives had gained their main experience in the area of finance.

It emerged that financial officers were rather more successful than production men in getting to the post of chief executive (although sales and marketing were considerably more common than either finance or production as main areas of experience).

The H and S survey of chief financial officers is current in the process of being updated, and enlarged to cover 500 companies. It is not expected to show any major changes during the past four years, but there will be a good deal of interest in whether chartered accountants have maintained their domination or whether the cost and management accountants have improved their position.

Clearly the chartered accountant has much to offer industry. But there is an increasing debate both within and outside the profession on whether the traditional training and career structure of the chartered accountant needs to be modified to suit the requirements of modern industry and commerce.

A striking development within the profession has been the emergence of pressure groups which reflect the views of industrial accountants. Thus the 100 Group of finance directors emerged out of the London Society of Chartered Accountants, and a Midlands Group has also been active.

The 100 Group has published two papers on the role and training of accountants, and has put forward the view that it should be possible for large companies as well as firms of accountants to train young people towards a chartered accounting qualification.

Such thoughts tie in with concern among the leaders of the profession over the polarisation of accounting firms. The rapid decline in the numbers of medium-sized firms is putting more and more of the responsibility for recruitment and training in the hands of a few large firms. There are fears that this will lead to more specialised and less adaptable young accountants. There is also some concern over the quality of recruits; the failure rate in the Institute's examinations is an uncomfortably high 70 per cent (though of course many succeed on second or later attempts).

Currently Mr. Eric Sayers is leading a study group which is considering how the Institute can best cover the requirements of industrial members. Meanwhile the Institute is making an effort to co-ordinate and publicise its services in areas like courses, technical resources and liaison with district societies.

Outside the ranks of chartered accountants the challenge is coming not just from the rival accounting bodies—notably the cost and management accountants—but also from the fast developing business schools. On the American pattern, these are aiming to provide qualifications which are more specific to a career in business. If they succeed, they could ensnare accountants out of their niche in industry and increasingly push them back into the more specialised profession of chartered auditors, to which they are effectively confined in many countries.

Another sign of growing pressure is the emergence within the past year or so of the Association of Corporate Treasurers. The function of treasurer is still not very common in any but the very largest British companies, but this is changing with the increasing importance of skilful financial resource management in conditions of unstable interest rates and exchange rates.

The appearance of a separate association which in due course plans to run its own examination has reflected a feeling that such areas of responsibility are not properly covered within the accountancy or banking qualifications.

The question to be faced by chartered accountants is whether they should broaden their profession in order to adapt to changing conditions. And while it is new that this should be faced by the profession as a whole, individual accountants have of course

always had to take vital decisions about the direction of their careers.

Typically, the young newly qualified chartered accountant has to decide very early whether he wishes to stay in professional practice or to move into industry. His training gives him little direct experience of industry, and unless he moves across by the age of 27 or 28 he is unlikely to pick up the skills which he needs to be successful in line management.

By his early 30s the high-flying accountant will hope to be a partner in his firm, and at that stage the financial rewards in a large partnership will be so attractive that it would take something very special to make him take the jump to an industrial or commercial post.

The accountant in a medium-sized firm, however, may not be in such a fortunate position. Such firms are tending to lose their larger auditors, and are being sucked into mergers which may upset the career structure of some partners. Accountants in such a position can comfort themselves with the thought that a number of prominent individuals have in fact made the transition from professional practice to industry at quite a late stage in their careers.

Examples include the ex-Price Waterhouse partner Mr. John Read, who became first finance director and then chief executive of Unigate, while another FW partner, Mr. Martin Harris, has become finance director of Reckitt and Colman after a spell at the City's Takeover Panel. Mr. Brian Jamieson, an executive director of W. H. Smith, came from Touche Ross.

Those who cross the great divide have to become, in the words of the 100 Group report on training and development published last January, "financial navigators rather than historical scorekeepers."

Barry Riley

## David Richards: Centenary President

TO ACHIEVE the presidency of a professional body in any year is recognition to be proud of. To hold it during a centenary celebration—as does Mr. David Richards, a senior partner of Deloitte Haskins and Sells, and this year's president of the Institute of Chartered Accountants in England and Wales—gives added gloss.

It is the high point for him in more than a decade of serving a profession in a public capacity. In the '60s he was an active member of the London and District Society of Chartered Accountants and became its chairman in 1969. The following year he was selected for membership to the Council of the Institute and then went on to chair several of the council's committees. In 1972 he headed a report on the future of the district societies and about the same time took on "research" in 1974. It was "auditing" followed by "post-qualifying education" until on June 6 last year he took on the most coveted role of all as president.

His start in accounting came soon after World War II. Encouraged by his father, he left school at the age of 16 and went straight into Harwood Banner as an articled clerk. Even in these early days David Richards was showing signs of a wider role he was later to play. At the time, he was the only articled clerk in the firm because of the war. Yet he soon became active in the students' society. He just managed to get in his intermediate exams before sampling life as a private in a tank regiment. After national service he was back at Harwood Banner and qualified in 1951.

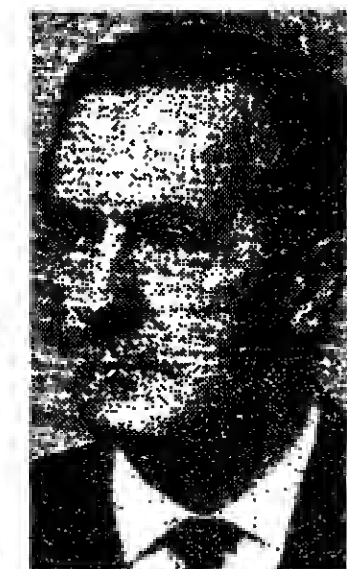
Like many young accountants, David Richards got itchy feet after a few years and an offer from a client to move into industry was tempting. However, a partnership offer was made at the same time—a big enough carrot to keep him in the firm. At 26 he became the youngest partner in Harwood Banner—on April 1, 1955.

It was perhaps during the next phase of his career that David Richards achieved most. In 1955 the London office of Harwood Banner had only five partners. They set out to build up the practice. By merger and organic development Harwood Banner built itself into a major force. When it joined Deloitte in 1974 Harwood had 1,100 staff and Deloitte had 1,600. The way in which the firm had developed was obviously a source of immense satisfaction to Richards and his colleagues.

Yet it Harwood's development was one of his treasured achievements it also brought about one of his deepest regrets of professional life.

**Embarrassment**  
The Department of Trade's report on the collapse of London and County made specific criticisms of Harwood as auditors to the firm. Though in no way implicated, David Richards resigned his post on the Council's auditing practices committee because of the obvious embarrassment to the institute of his position.

What sickened David Richards most was the fact that Harwood had been a respected name for 170 years. There obviously was no chance to repair its reputation: the DoT report appeared after the two companies had joined—and



Mr. David Richards

now its name may be remembered for London and County rather than anything else.

But that is history and certainly his current position implies the absence of any stigma attaching to him personally.

The President, not surprisingly, is a man with firm ideas and an unyielding regard for the quality of his profession. He is strictly against accountants advertising and does not believe it will do anyone any good apart from the agents and the newspapers. He is against limited liability for members, taking the view that the professional man enjoys certain privileges and has to offer unlimited liability to the public for the advice he gives.

## Discipline

As for self-regulation, he is strictly in favour. The procedures are now established where internal discipline can be very strict and accountants are, after all, one of the few professions where members are willing to give evidence against each other. There is an extreme position of trust which must be upheld, according to David Richards.

As his Presidency moves towards its closing weeks, how does David Richards see the coming five years? First, he is convinced that some form of continuing professional education will emerge. It is a subject close to his heart and he has devoted a good deal of time to the possibility of examinations to make sure accountants are fully up to date.

He does not see the various accounting institutes getting together in the next five years. The rank-and-file of the Institute voted more than a decade ago against a proposal to bring the six professional bodies down to three, a decision he regrets but understands.

Internationally David Richards wants to try and raise standards and sees UK accountants taking the lead in such development. An international organisation, along the lines of the Institute, is desirable, he thinks, but this will probably take more than five years.

Finally a word for the 2,500 to 3,000 accountants qualifying each year. David Richards still believes accountancy is "without doubt the best training ground" whether the individual goes into industry or into practice.

Terry Garrett

## Announcement of a merger

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# Controversy surrounds inflation reckoning

WITH THE publication at the end of March of Statement of Standard Accounting Practice (SSAP) No. 16 the UK and Ireland have at last acquired an officially approved system of accounting for price level changes. For the time being the arguments are over. But the Accounting Standards Committee (ASC) does not claim that SSAP 16 is perfect, and it will be prepared to consider revisions in three years' time in the light of experience.

By that time, too, the ASC may be able to consider the experience gained in the U.S. through the operation of the Financial Accounting Standards Board's (FASB) Statement No. 33 which was published last September. It is already being at least partly followed by some 1,300 of the largest American companies.

Why has this proved such a controversial subject? It has, after all, taken three separate exposure drafts before the ASC has been able to approve a final standard. It was as long ago as January 1973 that ED 8 was brought out, leading to the provisional standard PSSAP 7 the next year. But that was subverted by the Sandilands Committee, and the radically different ED 18 emerged in late 1976. The latter was killed off by a revolt of rank and file members of the English Institute who voted against compulsory current cost accounting in June 1977. It has taken considerable political skill on the part of the ASC and its offshoot the Inflation Accounting Steering Group to pilot through the modified version of current cost accounting set out last year in ED 24 and now embodied in SSAP 16.

## Contradiction

All this manoeuvring and controversy reflects a contradiction which lies at the heart of the new standard. It has been produced by a body called the Inflation Accounting Steering Group. Yet the explanatory note to SSAP 16 states specifically that "it is not a system of accounting for general inflation."

Most people (though not all) now accept that traditional historical cost accounting methods are unsatisfactory at times of unstable prices, and may in fact be dangerously mis-

leading. But there are two different approaches to a solution.

One school argues that the problem is that general inflation is causing the accounting units—the currency—to shrink in value. Like is not being compared with like. The answer is therefore to adjust for general inflation. This was the theory behind the current purchasing power approach which was set out in ED 8 and PSSAP 7.

But Whitehall has always been implacably opposed to systems of general indexation. The independent but Government-sponsored Sandilands Committee duly reflected official priorities and came down in favour of a politically less sensitive form of specific price adjustments. Indeed, in one remarkable passage the Sandilands Report suggested that general inflation did not exist at all.

This second school of thought argues that distortion of accounts is caused by changes in specific prices or costs. Rather than adjusting historical costs by some general index, it is necessary to allow for the impact of specific price changes on the assets of a business. Assets consumed will be charged at their current value to the business, so that the operating capability can be maintained. The huge rise in oil prices in 1973 and 1974, demonstrating that specific prices could move wildly out of line with general inflation, was an important factor in the downfall of the current purchasing power method.

But when a Sandilands-type current cost method was outlined in ED 18, serious deficiencies became apparent. In concentrating on the values of specific assets, ED 18 ignored money. The banks, for instance, found to their alarm that although their balance sheets were highly vulnerable to inflation, ED 18 had no effect beyond a trivial increase in depreciation. The implication was that the banks would not get tax relief for the damage done by inflation.

Elsewhere, the increase in the cost of sales was deducted from profits even when—as with supermarkets—it was financed by outside suppliers and so did not affect the operating capacity

of the business. More generally, profit and loss accounts were charged with very high interest rates which largely reflected the rate of inflation, whereas the holding "gains" on assets appeared only in the balance sheet. Companies with surplus cash were able to credit the very high interest to profits, but did not have to provide for the fact that this money could buy less.

Even now, there are vociferous proponents of the Sandilands-type system (though they no longer include Sir Francis Sandilands himself). Professor A. J. Merritt and Mr. Allen Sykes of 1974 "Doomsday Machine" fame have been lead-

ing a late crusade against the gearing adjustments contained in ED 24 and SSAP 16.

Essentially Merritt and Sykes are concerned with the maintenance of the physical assets of a business, but not at all about how it is financed. While this might be from some points of view a valid capital maintenance concept, the ASC was persuaded several years ago that it is not a very useful one. In the event, ED 24 brought money into the system in two ways: debtors and creditors as well as stocks were included in the working capital adjustment, and an overall gearing adjustment was applied to feed part of holding gains back into the

p and l account, in proportion to the level of debt finance.

Now the hanks, for example, are happy that their needs are covered and they have been enthusiastically publishing current cost figures in recent weeks. But the final result in SSAP 16 is very much of a compromise. The gearing adjustment has the merit of being conservatively stated, but it lacks a proper theoretical basis. ICI has been calculating a gearing adjustment on a different, more theoretically sound, basis for several years but will now have to adopt the SSAP 16 method.

Moreover, SSAP 16 displays indecision over where the gear-

ing adjustment should be credited: whether as an offset to the interest charge or as a below-the-line credit. And the standard still fails to cover the case of the "cash mountain" because there can be no negative gearing adjustment. Another limitation is that comparisons with the previous year's figures, and the trends shown by 5 and 10-year tables, are still misleading because they do not allow for the fall in the value of money. An exposure draft is promised on this shortly, however.

In the end, a more satisfactory integration of specific and general price adjustments will have to be developed. Exactly

the same problem is currently being faced in the U.S. where the battle between current cost and general price level accounting is unresolved. Alarm by the rapid rise in the U.S. inflation rate, and pressured by the Securities and Exchange Commission (SEC), the FASB has been forced to rush out compromise proposals.

Large American companies have had to provide supplementary general purchasing power information this year, and next year will have to give current cost data as well (as some already have). The two approaches will therefore run side by side, and the idea is that the one that proves more

satisfactory in practice will come out on top. Incidentally, the UK's ASC by insisting on inflation corrections to the five-year record for items like sales, earnings and the share price.

The contrast between the sudden launching of FAS 33 and the agonised ten-year gestation period of SSAP 16 says much about the strengths and weaknesses of the accounting profession on the two sides of the Atlantic. In the UK the profession has been much buffeted by the Government, but there has never been a body like the SEC in a position to seize the initiative.

Barry Riley

## Enforcement of accounting standards

THROUGHOUT THE past decade the professional institutes of the accountancy sector have been establishing a body of standards by which companies should be guided in preparing their accounts. There are now 16 of these Statements of Standard Accounting Practice of increasing complexity and importance. The most controversial, elaborate and difficult to draft is the latest standard on current cost accounting.

Because of the special relationship which exists between government and the professional institutions such as the Institutes of Chartered and Certified Accountants, the new standard is mandatory for all companies which will be required to prepare part of their accounts in accordance with current cost principles for all periods beginning after January 1, 1980.

But for all their outward compulsory appearance accounting standards are backed up by no formal enforcement procedures. Until recently this was not seen as a major problem. Company auditors and finance directors, who had through their professional bodies drafted the standards, were regarded as the natural enforcement officers who could be relied upon to press company boards into compliance.

In the main such enforcement was effective, but as the number of standards proliferated and as new standards imposed ever tighter restrictions on board flexibility over central and fundamental issues, fears began to grow that individual accountants on their own could fight losing battles with recalcitrant boards.

Already we have seen property companies and insurance groups managing to evade standards designed to harmonise treatment of property assets by way of depreciation. The banks have also declined to accept the full details of current cost accounting because of the problems attached to monetary assets.

## Submissions

In both these cases the accountancy bodies have accepted the submissions of whole sectors that they should be formally excluded from having to follow the standards. Others, losing such an argument, might simply refuse in practice to apply them.

During 1978 the Accounting Standards Committee (ASC), the authority jointly set up by the different accounting associations to draft accounting standards, recognised the problems and proposed to start formal

supervision of companies' compliance with standards. The first suggestion, following a series of public hearings about standards in general, was that the Stock Exchange should provide the policing.

Its famous "Yellow Book" which lays down the procedures and rules by which publicly quoted companies bind themselves, states that one important requirement is that companies comply with relevant accounting standards.

During heated debates the Stock Exchange was accused of failing to enforce one of its own rules and demands were made for it to begin doing so. However, after some discussion the Stock Exchange refused to act as policeman, arguing that it was not the competent authority on accounting matters.

The Stock Exchange argues strongly that its response was misconstrued in some quarters as indicating that it had no interest in the enforcement of accounting standards. As a result it was not for some time that any progress was made on the question of enforcement.

In the interim the Accounting Standards Committee had published the consultative document "Setting Accounting Standards" which is now expected to be published as a formal

guideline in the late summer. One of the important issues to be settled in the document was the question of enforcement. It now appears that this issue is on the brink of settlement.

A small high level working party comprising representatives of the ASC, the Stock Exchange and the Council for the Securities Industry, has already reached agreement that enforcement should be in the hands of a City panel, similar to that of the Takeover Panel, with representatives of the major professional bodies, companies and company accounts users.

The accounting bodies themselves, the Stock Exchange and the CBI will each have prominent representation on the panel.

The Stock Exchange has retreated from its earliest position that it could not offer a policing function to the compromise that it will act as a first-line warning system by informing the panel of any departures from accounting standards which are brought to its attention. This is a major move, since the Quotations Department of the Stock Exchange—as part of its routine function—vetts all public documents by listed companies. Now the working party is in

the final stages of drafting the parameters within which the standards panel will act.

In draft form the proposals are for the panel to supervise three specific types of enquiry or problem about accounting standards. Those are where:

● companies complain about the application of standards which they feel inappropriate to their individual cases

● individuals or groups complain that auditors are failing to persuade companies to adopt appropriate standards, or have failed to see departures from standards

● companies refuse to comply with standards.

Like the Takeover Panel, the standards panel would not have the backing of legal sanctions but would rely on the pressure of self-regulation through publication of its criticisms. The Stock Exchange would also help in leaning on "bloody-minded" companies, though it is likely to avoid except as a final step the threat of suspending quotation of a company which does not comply.

## Effective

The experience of the Takeover Panel has shown that self-regulation, depending solely on the power of public censure by a highly respected body, is effective

in most cases and has the double advantage of being a swift and inexpensive way of passing judgment on important issues compared with the process of law through statute. But there have been individuals which have flouted the Takeover Panel and fears have been expressed in some quarters that major companies might feel themselves in an even stronger position of impunity in flouting a standard panel.

For this reason a strong body of opinion is still calling for the introduction of statutory enforcement measures. It would in fact be a simple matter to provide statutory backing for accounting standards. Machinery already exists by which the Department of Trade is empowered under the 1948 Companies Act to amend its accounting provisions by statutory instrument. SSAPs, therefore, could be given statutory force without even the need for new legislation.

Meanwhile, the self-regulation system unique to the UK where professionally established standards can still be said to be "mandatory" will be further advanced by the establishment of a standards panel.

Christine Moir

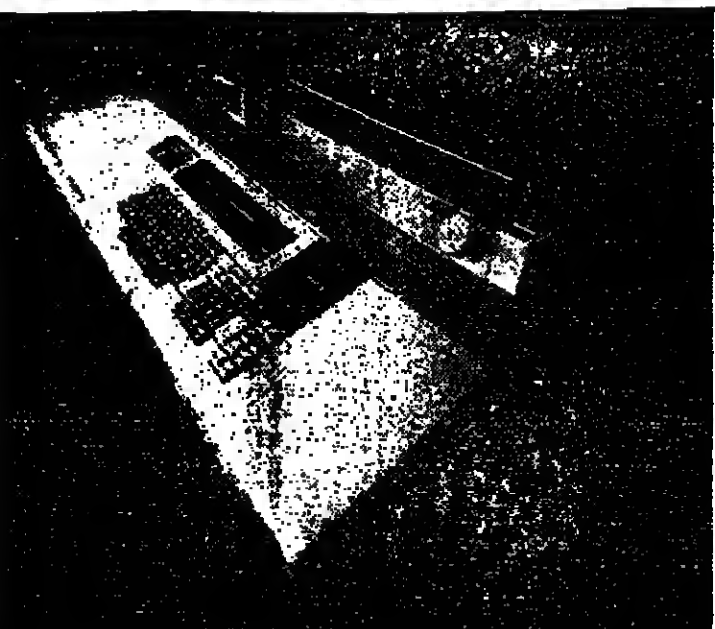
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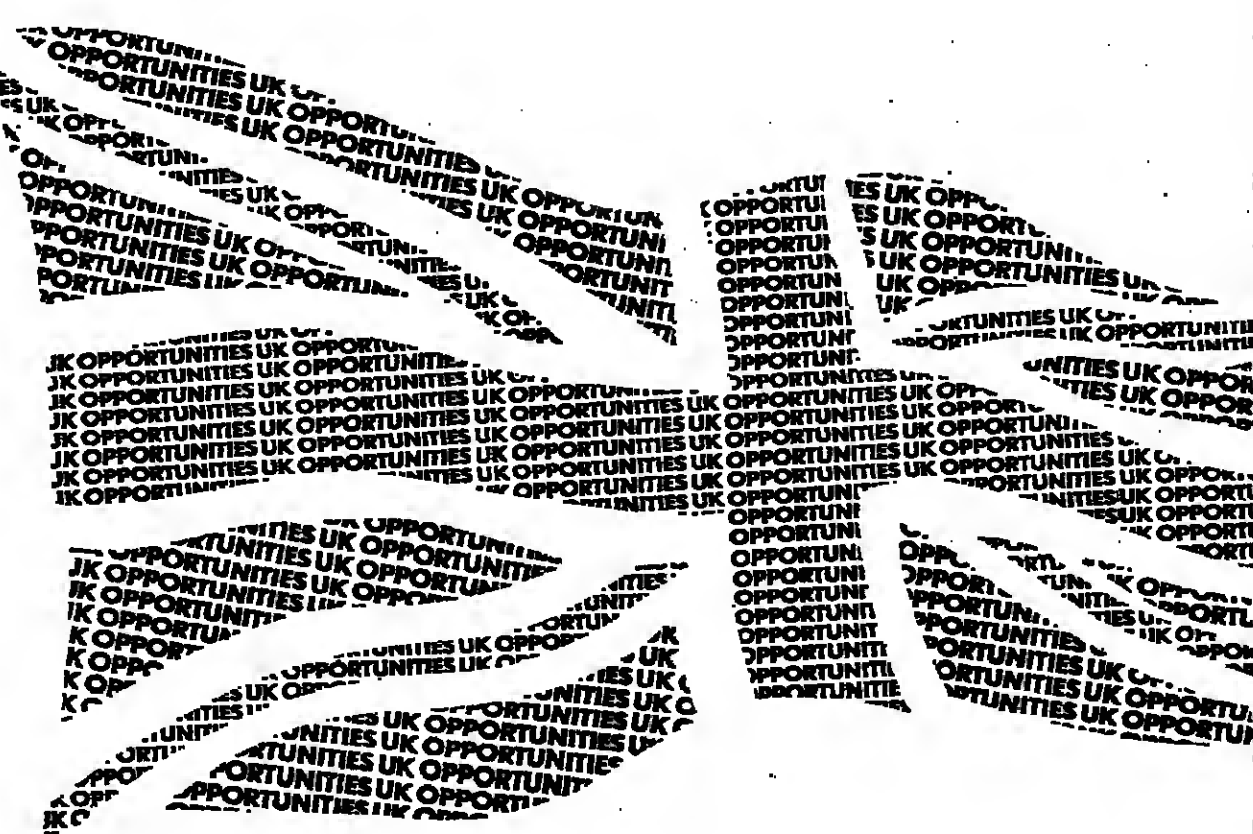
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## ACCOUNTANCY IV

# Landmarks for the profession

"OUR SOCIAL position was not enviable," Mr. Ernest Cooper, one of the founders of Cooper Brothers and Co., wrote in 1921 of the status of accountants in the latter half of the 19th century. Mr. Cooper went on: "We may disregard the then current gibe that of an accountant were required, he would be found at the bar of the nearest tavern to the Bankruptcy Court in Basinghall Street, and that an accountant was a man who had failed in everything else."

Accountancy has come a long way since those days of supervising bankruptcies and propping up City bars. But the evolution of the profession has been a curious one, relatively slow until World War I and then with a growing tempo of activity.

But a few early landmarks stand out. Mr. Douglas Morpeth, chairman of Touche Ross, singles out the writing in 1881 of the first textbook on auditing by one Francis Pixley, with the pious title of *Auditors, Their Duties and Responsibilities* under the Joint Stock Companies Acts and the Friendly Societies and Industrial and Provident Societies Acts.

### Threatening

The Pixley book, advocating that all companies employ an auditor, was peculiarly timely. On the one hand, as Sir Henry Benson, industrial advisor to the Governor of the Bank of England and retired senior partner of Coopers and Lybrand, points out, legislation two years earlier required all banks to have auditors. And two years later, in 1883, the Bankruptcy Act established an Official Receiver, thus threatening to remove the accountants' staple insolvency business.

The next major event for the profession was legislation in 1900 requiring that all companies have an annual audit. From then until the late 1920s there seems to have been little development.

It was a period in which the first moves to become international occurred. "It was seen that the U.S. was going to have a developing economy with a good deal of investment and so a good source of business," Mr. Morpeth says. "Sir George Touche was very much involved in investment trusts and I think he felt the need to keep an eye on the increasing amount of foreign investment."

But the main movement to international firms was not to come until after World War II. "Between the wars the profession largely went to sleep," Sir Henry recalls. "I came in in 1926 and we were concerned mainly then with auditing and

a certain amount of taxation. There was nothing like the range of duties now."

The tranquillity was shattered in 1931 by the Royal Mail Steam Packet Line scandal which resulted in its chairman, Lord Kylsant, going to jail for issuing a false prospectus and the Price Waterhouse auditor being charged for approving false accounts. The auditor was acquitted but the scandal ended the respectability of secret reserves, except for banks and insurance companies.

Mr. Stanley Duncan, retired senior partner of Price Waterhouse, explains that during World War I many companies established secret reserves, partly because it was unseemly to be seen to be profiting from the war. These were then drawn on to bolster profits during the lean years that followed. "The Royal Mail case had a profound effect on us and it led to the 1948 Companies Act which tightened up a lot of these things," Mr. Duncan says.

It was also in the 1930s that ICAEW began to accept as council members chartered accountants who were working in industry. Frederic de Paula was the first industrial member of the council of ICAEW and was active in promoting statements on accounting principles. This led to the publishing of a series of recommendations on accounting practice, beginning in the 1940s.

The first major landmark of the post-war period was undoubtedly the 1948 Companies Act and in particular its requirement that all companies publish consolidated accounts. The movement for this change had been underway for many years. Sir Anthony Burney, chairman of Debenhams, remembers the senior partner in his firm advocating it in the 1920s and 1930s. Sir Anthony as an accountant working in industry, also cites the development of management accounting in the 1940s. "It was frowned upon as inexact but I think it was a major move forward. Accountants started thinking about helping executives manage and control the business instead of telling them several months later what they should have done. Now it is the major part of consulting practice."

There followed a quiet period in the 1950s and the first half of the 1960s broken only by the increasingly frequent publication of recommendations on accounting practice. In 1952, for example, a recommendation called for experimentation on accounting for changes in the purchasing power of money. "We are still there," Mr. Duncan says.

Others concerned events occurring after the balance sheet

date, retirement benefits, stock-in-trade, general principles of auditing and hire purchase.

Then suddenly in the late 1960s, the profession moved on several fronts at once.

Responding to the aftermath of a number of scandals, it tightened standards of both accounting and auditing and imposed new disciplinary procedures. On its own initiative it improved education standards and launched efforts to develop international standards. It attempted—in vain—to integrate the six main accounting bodies in the British Isles and struggled long and hard to find an acceptable form of inflation accounting.

In 1968 Sir Henry Benson, then president of the ICAEW and senior partner of Coopers, organised the Accountants International Study Group (IASG) to make comparative studies of current trends in accounting thought and practice in the U.S., Canada and Britain.

In 1972 representatives of these three countries met again at Sydney, Australia, and proposed accounting standards for international use, an idea endorsed the following year by representatives of 16 accounting bodies from nine nations. The resulting International Accounting Standing Committee (IASC) is now accepted by 58 accounting bodies in 44 countries, has produced 13 standards and is working on

several other issues.

While accounting bodies were coming together on the international front, they were having less success at home. The ICAEW finally accepted the Incorporated Accountants in 1957 but it rose up against an attempt by Sir Henry Benson in 1968 to unite the six remaining British accountancy bodies. "It was the greatest disaster," Sir Henry says. But he admits, "we tried to do too much too quickly. If we had gone along doing a bit at a time, we would have had it within 10 years."

### Disaster

Mr. John Grenside, senior partner of Peat, Marwick, Mitchell and Co., is not very optimistic about another attempt. "There is not much pressure for it now. Another failure would be catastrophic."

Meanwhile, pressures were building to replace ICAEW's voluntary recommendations of accounting practice with binding standards. The Rolls Razor scandal in 1964, the furor over the AEI-General Electric merger in 1969 and the secondary banking crisis of 1973-74 all pointed up the inconsistencies of accounting practice, of auditing and of discipline within the profession.

"In the 1960s, we got a bit complacent," says Mr. Grenside, who chaired a committee in the mid-1970s that drafted a new disciplinary procedure. "The

business scene was becoming significantly more complex requiring far greater technical expertise on our part. Business morality had become, let us say, more robust."

The first result was the formation of the Accounting Standards Committee (ASC) in 1969-70. It has since pushed through 16 mandatory standards in a wide range of areas. Currently the profession is taking a close look at the committee's procedures. Responding to pressures from concerned outside bodies, representatives of industrialists and financial analysts may be invited to sit on the committee.

"I think a fairly modest restructuring is needed," Mr. Grenside says. "We also are looking for some way of monitoring the implementation of our standards, at least for listed companies."

More recent moves include the implementation on January 1 this year of the joint disciplinary scheme that resulted from the Grenside committee. They give the accountancy bodies the power for the first time to discipline accountants and firms for bad workmanship in cases of public concern. Another move, implemented last month, was a set of auditing standards backed up by detailed guidelines.

The profession's other major effort in the past decade has been the development of a

standard for treating the effects of inflation on accounts. It started in 1973 with the publication by the ASC of a paper (ED 8) calling for current purchasing power (CPP) supplementary accounts. Rejection of CPP by the Government's Sandilands committee in 1975 caused the accounting bodies to set up a steering committee under Mr. Morpeth in 1966 to develop a current cost (CCA) standard. Their first draft, ED 18, was rejected in July 1977 after a surprise revolt by the membership.

"I thought that with inflation high at the time everyone urgently wanted to get on with it," Mr. Morpeth says. "Clearly that wasn't the case. I was very disappointed. I don't like being beaten."

Nevertheless, Mr. Morpeth went back to work, accepted that people were not ready to shift suddenly and completely to CCA accounting, and produced a new proposal that would allow companies to produce both CCA and historic cost figures. It was accepted and came into effect in January this year as SSAP 16.

"We haven't done badly," Mr. Morpeth concludes, "to get it out in four and a-half years. The UK is the first country to produce an inflation standard that applies to all listed companies."

Ian Rodger

## Advance of article clerks

AS ARTICLED clerks we used to call ourselves the "Purple Ink Brigade." That was only half accurate because on alternate years our various ticks and other endorsements of a "true and fair view" were undertaken in green ink.

No matter. Nor did we seem to care that the managers and exalted seniors had other names for us: cash goons, for some arcane reason, being one. For even if our annual duties included agonising long weeks in the sub-vaults of a major insurance company verifying new mortgages and grappling with machine ledgers in the most out-of-the-way towns in the East Midlands, we could at least say we were being paid. An earlier generation, of course, paid the price of a premium for instruction in the fine art of auditing.

Yet although some of the post-graduates in larger firms were beginning to receive quite handsome salaries, there was no way that we could have foreseen the time when all members of the Brigade could contemplate a living wage. The age of computerised accounts was just dawning. Inflation was purely a South American phenomenon.

### Thrust

That was in the mid-sixties. The intervening years have seen many changes. The thrust of these moves has been to lift the standards and scope of a clerk's training. Matriculation with five O Levels was phased out in 1971 but the idea that the clerk should learn at what the Institute disparagingly calls "Nellie's elbow" still persisted. Formal instruction had been almost entirely transmitted by correspondence courses, dominated by Foulkes, Lynch.

The Education and Training Directorate is responsible for three committees—examination, members' education and training, students' education and training. The latter has been split into no fewer than four sub-committees and a Board of Accreditation of Colleges and Courses to replace the venerable Articled Clerks Committee, which had been formed in 1880. The fact that the Recruiting, Training, Regulatory and Board of Accreditation of Authorised Principals sub-committees now stand in its stead is a measure of the importance the Institute now attaches to training and to the diversity of their functions.

Despite the drive for more rigorous training and an adaptation of the examinations as a test of thinking and application rather than a regurgitation of the text books, the Institute has not followed various other professional bodies in insisting on graduate entry.

The test of entry is simply whether the clerk would have gained a degree at university had he or she taken a course of higher education. But the

old intermediate examination which was usually taken 18 months after the articles commenced has been abolished and non-graduate clerks are now required to take a 12-month academic foundation course, followed by an examination. What had been the gruelling, four-day, 10 paper Final Examination, later superseded by Parts I and II of the Final, has now given way to the First and Second Professional Examination.

The high priority now given by the Institute to management accounting, computing and financial decision making is illustrated by their inclusion in the range of papers.

The emphasis on education is also illustrated by the fact that the clerk no longer signs articles. He or she now signs a training contract which must be kept by the student and discussed at least twice a year with the principal.

Other than a vested interest in the quality of a clerk's auditing skills while under their tutelage, the firms are of course beginning to pay their trainees quite respectable salaries. The premium had largely disappeared 20 years ago and the Institute now safeguards against unfair conditions or even a suggestion that clerks are used as nothing more than slave labour by setting up a wages floor, or a basic registrable salary. For the moment, these are set at an initial £1,650 per annum in the provinces and £2,000 in London; insufficient obviously for financial independence but an increase is due in June and clerks can expect a useful basic pay rise.

While the firms are now expecting better educational requirements and more rigorous training for their money, the Institute, in turn, is demanding more from a principal.

### Minimum

The days, in fact, when any member could act as a principal to a quota of four clerks as of right are now over. In 1975 the Education and Training Committee approved a suggestion by the Board of Accreditation of Authorised Principals that minimum standards of student training to be achieved by principals should be laid down.

Examined orally, the aspiring principal must now satisfy the Board of Accreditation that his practice is sufficiently well established to undertake responsibility for the training of clerks and is likely to continue to be sufficiently well established in the foreseeable future, that the work undertaken by the student is ultimately supervised by a partner or a qualified chartered accountant and show that he is aware of the many other requirements designed to prepare the student for the professional examinations and,

ultimately, for a career as an accountant in the profession.

The principal must agree to grant each clerk his right to 32 weeks paid study leave within the length of the training contract, and in addition a further four weeks. If the trainee requires more time off to prepare for the Professional Examination, the contract must be extended.

The concept of professional tutors, often offering residential courses, has been growing up quickly in the last decade or so and the Association of Independent Tutors of Accountancy is now firmly established as a thriving, competitive but self-regulatory private sector. Use of the public sector, through polytechnics and the like, is still relatively small.

The article clerk is also changing. In 1969 a fifth of the intake held degrees, last year graduate entry amounted to 72 per cent of the clerks signing training contracts.

Women too are playing an increasing role in the accountancy profession, with the number of female entrants rising from 2 per cent to 22 per cent of the intake over the polarising towards the larger same period. But clerks are polarising towards the larger firms which, in turn, are

advertising more energetically to make sure they win their full share of the graduate cream.

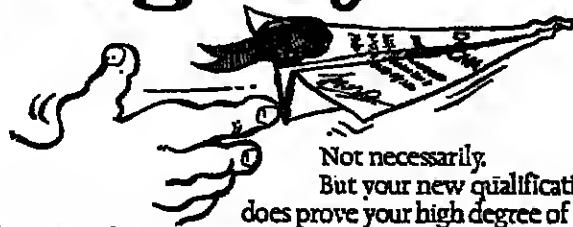
Wherever the new clerk goes, he or she can be sure that success in the professional examinations does not mark the end of study. The Institute makes no attempt to direct a new member towards a further specialist diploma in, say, taxation but the authorities are now more than ever anxious to attain a continuum of training in the recognition that qualification is not a "sudden attainment of a state of grace."

The shift from student to membership is made less abrupt by what is known as Continuing Professional Education, which requires a newly qualified accountant to serve for two years under a supervisory principal and to study for 120 hours over the first three years of qualified life.

In fact, to receive and maintain a practising certificate an accountant must study and retrain throughout a professional career—"until death or retirement"—and thus keep up some of the disciplines he or she accepted as an article clerk. Doubtless today's article clerk will be gratified that the principal must still reach out for the text books.

Ray Maughan

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## ACCOUNTANCY V

## Training and its objectives

THE OBJECTIVE or end-result of education and training must be to enable prospective members of the Institute of Chartered Accountants in England and Wales to gain the knowledge which they will require and to develop skills in applying it. The Interim report of the Institute's Education and Training Directorate contains a seven-point statement of objectives but six out of the seven items relate to entry and examination methods rather than to end-results.

If the objective is the provision of knowledge and skills, what knowledge and skills do chartered accountants require? All require a common core of accounting knowledge but beyond this there is a divergence of needs. The divergence arises from the ever-widening range of careers which, up to the present, has been available to members after qualification.

It would be impractical to require pre-qualification education and training for the whole of this range even on the assumption that each student could predict his future. However, there could be a recognition of the differing needs of the two distinct categories of chartered accountants, already acknowledged as such on the Council and elsewhere.

Education and training could be organised to cater for two streams, one of which would be practice-based. The other, non-practice-based stream would effectively be for industry. Suitable members in industry could be accredited as principals in training contracts. Many large industrial and commercial com-

panies already operate well-organised training schemes for other accountancy bodies. It would have to be ensured these schemes were comparable with those of the large professional firms and that the companies were willing to bear the costs involved, which are considerable.

Is the need for more suitable training for chartered accountants in industry a sufficient justification for change? If there are benefits to students which are unique to practising offices, then they should not be abandoned lightly.

The benefits most people would instance are:

- A practising office concerned with the maintenance of high standards of accounting is the best place for a student to gain basic accounting knowledge.
- Experience with a wide spread of clients provides an insight into many differing industrial and commercial operations.
- A professional standpoint is obtained which fosters objectivity and integrity. These benefits undoubtedly are provided by the major practising firms but there are attendant drawbacks:
- Practising offices deal almost entirely with past events.
- Expertise in meeting accounting and auditing standards which increasingly require conformity rather than the exercise of judgement.
- No contribution is made to wealth creation. At the most, some advice is given to clients

but there is little interpretation of results and no part is taken in decision making.

The increasing pressures on accountants in public practice, national and supra-national legislation together with accounting, auditing and ethical standards are demanding a meticulous and legalistic approach to accounting. This accounting for history with little, if any, connection or contact with financial or other management functions is in absolute contrast with what is required from accountants in industry.

This is the crux of the matter. Industry wants accountants whose education and training has been conditioned by working with people who are making things happen. Their financial expertise should have been developed in connection with current operations and forward plans. For them, financial reporting of past performance has to be seen as an essential but secondary function.

Chartered accountants who are finance directors play a full part in the top management team. Their staffs are engaged in specialist functions such as management accounting, tax planning and foreign currency management, all of which are concerned primarily with the creation of wealth. This is the purpose of accounting in industry and the education and training of its accountants should support it unequivocally.

To take the argument a stage further would be to propose a complete separation between practising and industrial accountants. This separation is

already the rule in many other countries and the Institute of Cost and Management Accountants could say with some justification that we are not far from it in the UK.

Integration of the profession, which so nearly succeeded a decade ago, would be the best solution to the problem and training would be streamlined as a logical result.

Within an integrated profession, the relationship of practising and non-practising accountants would be clarified. Short of integration, there is no reason why the same clarification should not be apparent in the Institute, as a minimum, in the streaming of education and training.

The two streams would be far from isolated from each other. The common core of accounting knowledge would remain. There would be many links at audits and in such matters as taxation, acquisitions, investigations and so on. Movements from practice to industry and vice versa would continue and secondments in either direction during training would be beneficial to both kinds of student.

The essential difference would be that of attitudes. The student inclined to think of accounting as an end in itself could be expected to train in a practising office and stay in practice. The student seeking a career in financial or general management could be expected to seek a training contract in industry. Each would develop attitudes which would assist them in their chosen area. At present, many chartered accountants entering industry suffer the handicap of a wrong

attitude which has to be painfully unlearned, assuming that this is possible.

The debate on the Institute's education and training is part of the wider process of this country's adjustment to changing times. Manufacturing industry is short of properly trained engineers, finance managers and high grade entrants generally. The engineering profession is considering changes, the business schools are already starting to provide well-trained numerate managers, many of whom are seen as preferable to chartered accountants.

The Institute also must face the future on this issue. There is something to be said for the belief of the Education and Training Directorate that the personal professional qualities looked for in chartered accountants, wherever they work, are those developed in a practising office. However, the desirable features of these qualities could be brought out by principals to training contracts in industry if accreditation was extended to them. The less desirable features which at present handicap some newly qualified members entering industry could be avoided and the qualities required of a financial manager substituted.

Members cannot hope to have the best of both worlds by a policy of procrastination. They have been fortunate up till now, having been accepted into many fields of management outside practice. This will not continue if they do not adapt to changing times. Does the Institute want the top positions

in industry to remain available to chartered accountants? If so, it must offer suitable education and training.

Alternatively, is it the view that the Institute does not want to move with the times? Change is not necessarily beneficial, big is not always beautiful, and when organisations enlarge their spheres of influence they frequently dissipate their strengths and lose their sense of direction.

These are the reasons which could justify concentrating members' energies to remain chartered accountants rather than financial managers. What cannot justify inaction in the face of changing times is inertia or a desire to retain an air of professional gentility left over from more gracious days.

The preferred course would seem to be for the Institute to acknowledge the existence of two kinds of chartered accountant and plan for the future by re-shaping education and training. This would include the accreditation of suitable principals for training contracts in industry. What is required of members is that they should make a positive decision so that even if no changes are made, this is a conscious policy rather than a continuance of drift.

P. J. Custis

Finance Director, GKN

## Indirect steps to unification

COMMENTING ON the results of a questionnaire which showed widespread internal discontent about the organisation of the accountancy profession, Professor David Solomonson concluded: "By 1980 the pressures making for a unified profession will be irresistible." This has proved to be an exaggerated prediction, although the Councils for the accountancy profession are bearing, even above the noise of centennial celebration for one of the member bodies, an ever-growing volume of demand for them to reconsider the unification of the bodies which constitute the first division of the profession.

It is 10 years since a combined proposal to merge the Institutes of Chartered Accountants in England and Wales (ICAEW), Scotland (ICAS) and Ireland (ICAI) with the Association of Certified Accountants (ACCA), the Institute of Cost and Management Accountants (ICMA) and the Chartered Institute of Public Finance and Accountancy (CIPFA) was put to the vote. The "Scheme for the Development of the Great Britain and Ireland" was published in July 1970 and after two years all but the ICMA obtained the required majority in favour of merging these bodies in order to divide the membership into streams according to specialist skills.

Even though subsequent proposals for change (notably Professor Solomonson's in his "Report of the Long Range Enquiry into Education and Training for the Accountancy Profession" have made the assumption that the bodies will merge sooner or later, all moves to that direction have either been halted or diverted into more immediately practical

avenues of co-operation. We can see that although uniformity on the application of the basic tenets of the profession is a long way off, as is any fundamental re-organisation, there has since the 1960s been a gradual merger of interests within the profession.

In the field of education there is the Advisory Board for Accounting Education, and all six bodies participate in the Joint Diploma in Management Accounting Services. The profession has also come together when dealing with accounting and auditing standards through the Consultative Committee of Accounting Bodies (CCAB), the Liaison Accounting Steering Group, the Accounting Standards Committee as well as outside the domestic scene — through the Accountants International Study Group, the International Accounting Standards Committee, the Union Européenne des Experts Comptables Economiques et Financiers and the International Federation of Accountants. Agreement has been reached, however, among bodies on ethical and disciplinary standards and procedures and on fiscal, Parliamentary and legal matters of common concern.

## Discussions

This merging of interest is on the increase and there are many more examples of co-operation and joint action, to say nothing of frequent discussions among the bodies — all of which, however, fall short of suggesting another attempt at integration.

The history of the accountancy profession has, however, long been one of mergers. Separate development of the Scottish Societies of Accountants found in Edinburgh Glasgow and Aberdeen midway through the last century came to an end before the advent of this. Over the border in England, societies in London, Liverpool, Manchester and Sheffield were merged by the Royal Charter of 1880 and in 1887 the English Institute joined with the Society of Incorporated Accountants to form a body as large as the rest of the profession put together.

The Irish Institute, which received the Royal Charter in 1880, is distinguished by the fact that it covers both Northern Ireland and the Irish Republic and consequently successfully

overcomes the different legal and educational systems which have prevented most other forms of union.

The Association of Certified Accountants was started by the merger in 1939 of the London Association of Accountants and the Corporation of Accountants with the Institution of Certified Public Accountants and the Central Association of Accountants, which were both formed at the beginning of this century.

Since 1970 various forms of merger have been suggested. Some plans have envisaged a grouping of the "Chartered" bodies in Scotland, Ireland and England and Wales with the ACCA but dropping the ICMA and the CIPFA. Other proposals have opted for a federation of independent accountancy bodies or separate but reciprocal membership. A Council of Accountancy Institutions on the lines of the set-up in the engineering profession has been mooted but no official schemes have been put to the members of any of the bodies since the failure of the 1968 integration scheme.

Nevertheless the accountancy profession's preparedness to engage itself in matters of public and national interest at home, in the EEC and elsewhere has focussed its constituent bodies the attention of social, public and industrial agencies to a degree that there is now an urgent need to rationalise the structure if not the organisation of the profession. There is, moreover, a generally accepted need to speak with one voice to the Government, to the courts, to the Department of Trade and Industry, to the Stock Exchange, to the educational establishments and to the public — not to mention the multitudinous national and international accounting bodies.

It is also generally accepted that the boundaries which divided the accountancy profession by either by internal or external forces, be re-aligned. Nevertheless the inevitability of this fact makes neither the form any more certain to predict nor the means of achieving this objective any easier to attain. The social, commercial, governmental, EEC and economic pressures which combine to bring the accountancy bodies together are met by an opposing force which demands greater specialisation, a more precise and recognisable form of accreditation and a larger

measure of independence and self-determination. There remains in the minds of members a substantial institutional pride in, and jealousy of, their respective bodies which will be as hard to overcome today as it was in 1970.

Since that time however the profession itself has changed, not least by the polarisation of the public accounting firms into much larger and internationally orientated practices. Perhaps also the very disciplines which branch away from the common body of knowledge of the profession are less consanguineous than they were a decade ago.

It remains a desirable objective, however, to realign the boundaries of the profession and to educate, train and examine accountants in accordance with their chosen stream. The present fragmented structure militates against this and as a result a form of moratorium on fundamental development has been declared which has been to the detriment of the influence and position of the profession and has created a confused and indecisive peripheral superstructure. The CCAB is the most important example of this superstructure and is the nearest the profession has to a Council of Accountancy Institutions. Yet it has proved to be (by its constitution it is more of a forum than a decision-making body) both slow and weak. Despite the fact that there is at present a very high level review into the function and constitution of the CCAB it is unlikely that any representative body can hope to possess the advantages which a unitary professional body can grant.

## Improved

In many ways the failure of the 1968 proposals served to close the technical and educational gaps between the six bodies. Both the ACCA and the ICMA have been granted Royal Charters and since 1970 have greatly improved their standard of intake and examination. The ICAS has to a more noticeable degree grown apart from the other bodies and has got on by being a teaching institute. CIPFA has widened its scope following the grant of a Supplementary Royal Charter in 1973 and has moved away from its limited concern for local authority treasury and accounting offices towards

matters of more general financial import.

Notwithstanding these changes and the major shifts that have taken place in the position of the profession in industry and commerce a vote taken tomorrow on the 1968 scheme would be more likely to succeed than it was in 1970 and the diminution in support for the idea in certain parts of the profession, notably Scotland, would be overcome by the logic of building upon the successful examples of co-operation and merger that exist at the present time.

The likelihood is, however, that the Councils will move slowly towards the ultimate goal and develop common standards, codes of ethics, education and training programmes and policies rather than put forward prematurely another integration scheme for the vote. On that the Councils are immovable, even if the pressure making for a unified profession are all but irresistible.

P. R. Pennington-Leigh

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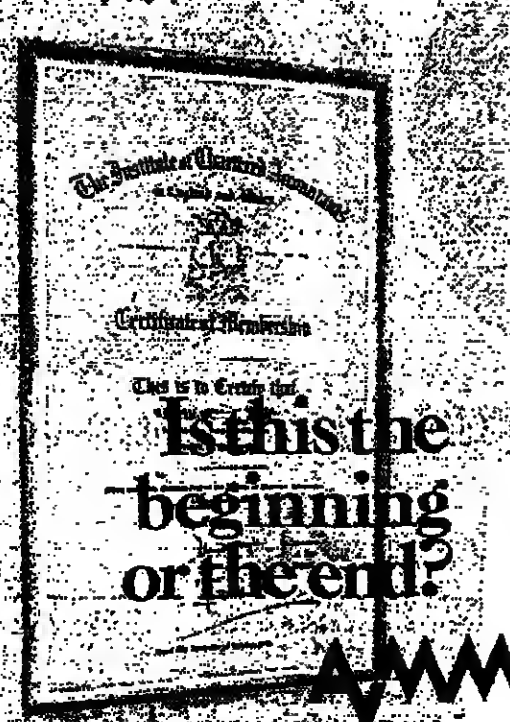


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On qualifying many of you will have put away your text books with a sigh of relief. Having sustained the rigours of what probably seemed like countless nights of study, you may not take kindly to the idea that this was just preparation for a course yet to be run. In a profession that will always have to adapt its methods of working to the changing needs of industry and commerce, the process of learning continues through the whole of one's professional career.

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BRITISH ACCOUNTANTS were presented with their first-ever auditing standards and guidelines in April this year. These should stimulate a more uniform approach to auditing and reporting of company affairs.

The new rules do not, however, require an automatic reference to changes in accounting policies being applied in the production of financial statements. Therefore this regular source of confusion for UK annual report users is likely to persist.

Nor do the new standards promise to do much to reduce the number of corporate scandals and resultant voluminous inspectors' reports with their all too frequent damning criticism of members of the accounting profession.

The essential element for an effective audit of a company's affairs is the auditor's personal judgment. No rules can ever substitute for this any more than they can be applied to judge and jury in a courtroom. In those cases—now well documented or yet to be detected—where auditors have failed to sound any alarm with disastrous consequences for the unwit-

ting investors and creditors it is usually the human factor that is at fault.

It is no surprise to hear that some company directors attempt to push pieces of questionable accounting past their auditors. But many eyebrows outside the profession will be raised to discover that on average an international accounting firm in this country can expect to be faced with this situation three or four times a year with the management of leading-name company clients.

Frequently, auditors say, it is only the threat of a qualified audit report and the weight that an international auditing firm's name carries with the public that persuades the management to back off and the incidents go unrecorded.

One may then ask what happens when similar pressure is applied to a smaller audit firm with less muscle and with a more anxious eye on the potential loss of a valuable audit fee. At the end of the day in either instance it is the conscientiousness and integrity of the auditor that counts and accountants are a no more or less fallible or incorruptible group of people than any other.

Therefore, why after 100 years of an organising accounting profession in England and Wales and some 125 years in Scotland, have the UK accounting bodies chosen this moment to issue auditing standards, and what good are they?

Prodded

The accountants were prodded into action in 1976 by the then Trade Secretary, Mr. Edmund Dell, who warned that if the profession did not tighten up its auditing practices the Government would produce its own rules. Having long jealously guarded their independence and with a wary eye on the U.S. where accountants' independence today is seen as being totally under siege from the authorities, the British accountants knew they had to do something positive.

The Consultative Committee of Accountancy Bodies set up an Auditing Practices Committee comprising members drawn from the four accounting bodies whose members are permitted to audit company accounts—namely the Institutes of Chartered Accountants in

England and Wales, of Scotland and of Ireland, and the Association of Certified Accountants.

In 1978 the Auditing Practices Committee published a discussion draft which attracted 340 comments covering around 1,500 pages. In addition the committee had discussions with a number of interested parties including the Inland Revenue, Customs and Excise and the banks, but notably not with any organisation representing the front-line users of reports and accounts—namely the shareholders and investors.

In the forward to the finished product the committee concedes that it would be impractical to establish a code of rules sufficiently elaborate to cater for all situations and circumstances which an auditor might encounter. "Such a code could not provide for innovations in business and financial practice and might hinder necessary development and experiments in auditing practice," it said.

It concluded, therefore, that: "In the observation of auditing standards the auditor must exercise his judgement in determining both the auditing procedures necessary in the circumstances to afford a reasonable basis for his opinion and the wording of his report."

The first three standards—"The auditor's operational standard", "The audit report" and "Qualifications in audit reports"—cover less than three pages and total around 500 words while a further 32 pages are devoted to explanatory notes and guidelines. The standards apply to financial statements relating to accounting periods starting on or after April 1, 1980.

The phrase "true and fair view" is retained for the audit report. To express an opinion that a financial statement gives a true or fair view of a company's affairs, the auditor must, among other things, satisfy himself that all relevant accounting standards have been complied with, except where they are not strictly applicable or, exceptionally, would be "inappropriate or give a misleading view."

He must also be satisfied that any significant accounting policies employed to produce the accounts, which are not covered by accounting standards, are appropriate. If he is not happy with everything then he must consider qualifying his

report. Qualifications will generally fall into one of two categories. Either there is an uncertainty which prevents him from forming an opinion on a matter (uncertainty); or he is able to form an opinion but this conflicts with the view given by the financial statements (disagreement).

If the uncertainty involves something material but not fundamental he should make his report "subject to" the outcome of this uncertainty, but if it could have serious impact then he must withhold an opinion. Where there is disagreement that is not fundamental he may make a favourable report "except" for the subject of the disagreement. If there is an adverse view in his report.

Understandable

The committee says that the principles set out in the audit report standards are intended to make qualified reports more understandable by developing a consistent use of language to distinguish the type of qualification appropriate to different circumstances. Normally, if the auditor is issuing an unqualified opinion he should not refer to specific aspects of the financial statements in the body of his report as it may be construed as being a qualification.

He should instead draw attention to the matter in a paragraph separate from his opinion, but not use this as an opportunity to make up for a lack of disclosure in the accounts or as a substitute for a qualification. In other words, the auditor should not go for the soft option and believe he has discharged his responsibilities by mentioning a significant issue in a way that does not upset the client company's management.

In reality the questions raised during an audit are not so clear-cut and the auditor can be obliged to tread a very cautious path. For example, he cannot say he has a "gut" feel that the directors are a bunch of crooks when there is nothing concrete on which to base this view. All he can do is flash a few warning lights and hope there is someone out there to recognise their meaning.

As the forward to the standards points out, the

responsibility for the prevention and detection of irregularities and fraud rests with the management. Even so, the auditor should plan his audit so that he can reasonably expect to detect material misstatements resulting from fraud. In this respect the standards may help reduce the auditor's liability should a fraud arise, for he can produce the standards and guidelines to support his submission to a court that his work was "adequate."

It could be said that this aspect of the standards will actually work against the public interest. The one factor that might have made a rogue auditor think twice in the past before turning a blind eye to a fraud—was that he may not entirely escape being sued by the victims should the crime be uncovered.

So just what, if any, benefits are to be obtained from the auditing standards and guidelines? First and foremost they are a public relations exercise by the accounting bodies, which realise that to satisfy the critics they must not only be efficient but must be seen to be efficient in policing their members. While guidelines alone would have been more appropriate because of the subjectivity of auditing practice they appear less enforceable than standards and would not be so likely to satisfy the governmental authorities.

Secondly, the advent of the standards has made most auditing firms review their internal practices to ensure they match

up to requirements. Though the standards are to a great extent a formalisation of existing Institute recommendations most accounting firms have had to modify their procedures in some way because of them. A few have even found it impractical to come exactly into line. In this area the standards are good news in that the net effect should be greater consistency in the mechanics of auditing throughout the U.K.

As the standards also incorporate the principles on which the auditing statements of the European accounting co-ordinating body, the UEC, and the vague guidelines of the international body IFAC, are based, one might assume that they should make British company accounts more readily comparable with those of foreign enterprises.

Regrettably, it will be a long time before there is such comparability. The new UK standards do not apply to the audit by British accountants of overseas companies save where their accounts are to be incorporated into UK or Irish company's financial statements. There the ambiguity of some audit reports issued by members of the British accounting profession overseas which state that the audit has been conducted "in accordance with generally accepted auditing standards" without specifying which standards, is likely to remain.

Christopher Cameron-Jones

Progress towards  
self-regulation

IN THE past month the disciplinary procedures of the professional accounting bodies have once again been highlighted to the media, but this time it is the accounting authorities which have called the tune.

Early in April the professional standards committee of the English Institute of Chartered Accountants severely rebuked Sir Charles Hardie, senior partner of the City firm of Dixon Wilson, for signing an unqualified audit report on the 1973 accounts of London Capital Group, the Bangladesh charitable trust in which Mr. John Stanshouse, the former Labour politician, was involved.

Later the same month Sir Henry Benson, chairman of the joint disciplinary scheme evolved among all the professional bodies, announced the formation of two committees of enquiry into the role of the bodies heavily criticised in recent Department of Trade reports—Ozalid, Burnholme and Forder and Brayhead.

The scheme was devised by a special committee headed by Mr. John Grenside, senior partner of Peat Marwick Mitchell, in 1978. It recommended the extension of existing disciplinary measures beyond questions of professional misconduct to the areas of efficiency and competence. It also recommended that the disciplinary machinery apply not only to individual members but also to accounting firms. That scheme came into force last year and the committees of enquiry just announced are the first major applications of it.

The scheme does not, however, override existing disciplinary machinery within each body and the case of London Capital Group (LCG) was in fact studied not by the scheme but by the professional standards committee of the English Institute. It restricted itself therefore, to answering the question whether the shortcomings of Dixon Wilson in auditing LCG's accounts amounted to professional misconduct.

At the end of a long and thoughtful report published by the Institute, its committee found that misconduct had not existed but Sir Charles Hardie and his firm "failed to show qualities of sound judgment" and should have investigated much more thoroughly loans to directors and officers of LCG.

No disciplinary action was therefore taken against Sir Charles or the firm, a decision which disappointed many in the City who had not appreciated that the inquiry had not been made under the new joint disciplinary scheme where serious incompetence—implied in the Institute's report—would lead to disciplinary action. Tough measures are therefore expected if the committees of inquiry into Ozalid, and

Burnholme and Brayhead, uphold the criticisms made by the Department of Trade inspectors into those companies' affairs.

The cases involved several individual accountants who were officers of Burnholme, its auditors, Joselyne Layton-Bennett, and Peat Marwick Mitchell, auditors of Ozalid.

Whatever the outcome of the professional disciplinary enquiries, one major criticism will remain. The Council for the Securities Industry has already strongly criticised the Department of Trade (DOT) for the delays involved in company enquiries. If professional enquiries have to await publication of the DOT reports, even longer delays will be built in.

Self-regulation, it is frequently argued, needs to be speedy and severe if it is to be seen to be effective.

The issues raised by such an argument, however, are extremely delicate. They are faced not only by the accounting bodies but by all self-regulatory institutions. Disciplinary actions imposed on professional individuals and firms directly affect their livelihoods. If they are carried out in tandem with legal sanctions such as criminal prosecution they can be regarded as double punishment. If carried out while legal action is in progress there is a danger that the professional investigation could result in contempt of court proceedings.

Finally, the accounting bodies are well aware that adverse judgments against firms or accountants on grounds of incompetence and inefficiency could lead to civil-court actions being brought against them by shareholders of the companies for which the accountants acted. After two years of discussion the Auditing Practices Committee has laid down the formal parameters for auditing practice. The standards cover three important areas: how audits should be carried out and recorded; how audit reports should be drafted; and how audit qualifications should be treated.

The standards are backed up by detailed guidelines which auditors should follow. Meticulous observance of these guidelines, therefore, should protect firms and individuals against accusations of incompetence or inefficiency which might otherwise lead them to the Joint Disciplinary Scheme.

On the other hand, so detailed are the guidelines that shareholders, investors and creditors will be in a much stronger position to frame legal action should a breach occur.

The new standards for auditors have, of course, a much wider interest than the self-disciplinary impact. They lay down, for the first time, tight procedures for problem areas in all other accounting standards. For instance, the audit report

will not be required to draw attention to changes in accounting policies between one year and another in a company's accounts—an absence which has given rise to some criticism and disappointment.

Such criticisms, however, are more in the nature of fine tuning than fundamental and in fact the new auditing standards are seen generally as supporting the moves for enforcement of accounting standards generally. They are also seen as playing a major role in the tightening up of the profession's own disciplinary machinery.

Christine Moir

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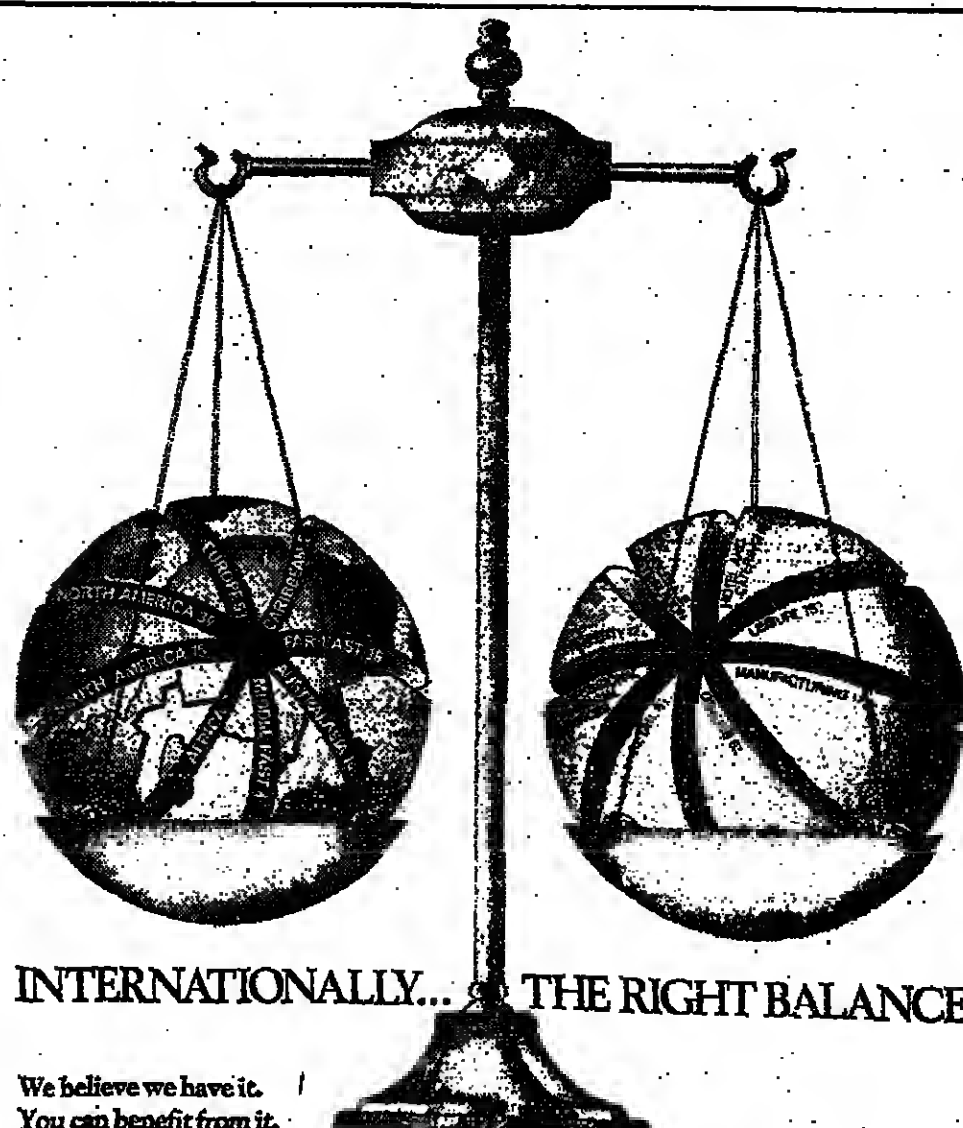
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## ACCOUNTANCY VII

## Room for big firms and small

**SURVIVAL NEEDS** and the conventional wisdom that bigger must be better has brought about the plethora of accounting firm mergers seen over the past decade. In the UK the trend has been so strong that today independent medium-sized firms are thin on the ground. Beneficial as amalgamation with an international accounting firm might prove for the partners concerned, people both within and outside the profession question how much of this metamorphosis has been in the public interest.

If the change had come about purely as a result of commercial pressures then it could be said that large units are simply a reflection of what the market wants. Unfortunately, the picture has been distorted by a number of factors, not least of which are the accounting profession's strict rules on advertising. These rules operate strongly in favour of a large firm—whichever it only by reason of greater physical presence draws more attention to itself.

While facing this handicap in securing new business the small firm also finds it difficult to match its growth to that of a client, often with damaging results. Another hazard is the acquisition of a client company by a concern already audited by a large firm which logically becomes sole auditor for the enlarged group.

In theory size does carry

advantages for a business but these are not obvious from the fees of the large accounting firms. Auditing, which represents 60 per cent or more of an accounting firm's income, is a highly labour-intensive activity. There is therefore little direct cost saving to be made by a large unit compared with an efficient medium-sized firm.

Even in data processing the sharp fall in the price of computers means that most firms can afford some sort of installation. The more expensive sophisticated systems only really come into their own outside the auditing area.

## Advantages

What savings there are to be made in being a very large auditing firm arise in regard to training and recruitment. In reality even these advantages are debatable. Because of their size the international firms must of necessity become less choosy in their recruitment as they come to dominate more and more of the market.

Nor does the abysmally low success rate by students in the professional exams bear evidence of the large firms' beneficial influence.

The giants argue that the real gain for the client in using their services is not on cost but in the quality of the work and the advice they offer both in auditing and other areas. This, they say, is because they have

the buying power to recruit the best people and have made the substantial investment needed to train them to a far higher degree than is feasible in smaller practices. In addition they emphasised that for the multinational company only an international firm could possibly supply such a high standard and consistent quality of service worldwide.

To counter the apparent advantages of the international accounting firms a number of the surviving medium-sized ones have formed links with similar or smaller firms in Britain and abroad. The aim here is to present clients with an alternative to the majors that offers most of the benefits of size without the feeling that personal service is being compromised.

As this is a comparatively recent development the success of these ventures is yet to be judged but clearly the deciding elements will be the strength of the links and the degree of centralised control and investment in back-up facilities that can be established.

Other medium-sized firms, such as Hays Allan, have identified their future as being with the medium-sized owner-proprietor private companies. This type of client is concerned not only with audit but also with his own accumulation of capital and tax affairs.

Good-sized close companies are expected to enjoy a relatively prosperous period in the 1980s and are being encouraged by the Government. Such a company does not have huge labour problems, on the one

hand, and his sufficient resources on the other to withstand depression better than a smaller business.

The number of these companies promises to be boosted as more directors buy out companies which do not fit into the overall strategy of the parent group.

## Aspirations

As the medium-sized close company generally has limited aspirations about physical development outside the UK an international auditing capability holds no appeal. The accounting firms serving them therefore only concentrate on expanding their base in Britain either through branch offices, where justified, or associates.

This approach contrasts with that of the international firms in that it is targeted at a selected area of the market whereas the big firms are in many ways trying to be all things to all men. This is exemplified by the introduction to professional services in the English brochure describing Peat, Marwick, Mitchell and Co., one of the Big Eight accounting firms which says:

"PMM provides accounting, auditing, tax and consultancy services to a wide range of clients. It is familiar with the requirements of individuals, partnerships, private and public companies, nationalised industries, Government departments and many other types of client. Its clients include many smaller as well as larger firms and the PMM team on an assignment can vary, according to requirements, from a large

team drawn from several offices working together during several weeks, to a team of one or two dealing with an assignment in a few hours."

While the life and death struggle goes on in the middle of the accounting services market things are no longer so rosy for the one and two-man practices. Formerly happy in the belief that no large firm in its right mind would want to wrestle with the frustrations of the incomplete record from the corner shop, the sole practitioner is finding that the small shop clients are fast disappearing or being absorbed into large chains.

Added to this, the individual client business is being raided by the "big boys" who literally scoop up the rich pickings with attractions of their substantial wide-ranging expertise and international activities. Even then, so long as the sole practitioner continues to offer diligent work and up-to-date sound advice in traditional highly personalised manner then he should survive. Some small firms are underwriting their chances by building a reputation in a specialised area.

It is in the non-auditing sectors that the future prosperity of the accounting profession lies. While auditing provides the bread-and-butter for any firm the "jam" comes from the range of other services offered comprising financial planning, taxation, trusts, insolvency, registration and management consultancy.

Today the complexities of financial and business management of multinational companies are such that their professional advisors must be prepared to make substantial investment of time and money in developing their services just to keep up with their needs. But the accounting market is not simply large public corporations or nationalised industries. It contains a whole spectrum of clients starting from the individual whose Aunt Mabel has left him \$1,000 which he wishes to invest wisely, or the family man who wants to buy a bigger house and improve his insurance arrangements.

Clearly only large accounting firms, or possibly groupings, have the resources to satisfy large company client demands adequately. Where they draw criticism is in what is regarded as poaching of business lower down the scale. The ultimate

outcome of this poaching—which does not look that far off—would be the total extinction of all but the international partnerships.

Individuals in particular like to look on their accountants as their confidants and mentors on financial matters. Even though this may be no less possible with a partner in a giant firm, psychologically it is as difficult to feel this is so as it is to compare a local GP's interest with that of a doctor in a hospital casualty department.

The disappearance of the small to medium-sized firm is undesirable therefore if only for this reason. There is enormous potential for accountants at the bottom end of the market. Vast numbers of people could benefit for good tax and investment advice but the exclusive image of the accountants is already a big enough deterrent without the prospect of having to approach a major firm.

## Computing

At the top end the involvement of the practising accountants in clients' businesses has ground way beyond the basics of audit, installing accounting systems and tax advice. They are able to establish internal control and audit systems, and offer tax planning, both domestic and international. In the growth area of computing the large firm sell not only their own special software packages for financial modelling and the like but also give training courses in electronic data processing to client personnel.

Many accountants also expect further growth in insolvency work where they have already achieved some notable successes in pulling tottering enterprises back from the brink. In the less reputable cases, as liquidators and receivers they have been able to recover some worthwhile sums from the wreckage for despondent shareholders and creditors.

The larger firms have set up separate management consultancies that take them into such diverse activities as production and distribution management, personnel management and executive selection and marketing. In a market with this scope for development, improvement and rewards it would be surprising and unfortunate for the consumer, therefore, if it were one day all left to a few giants.

C.C.J.

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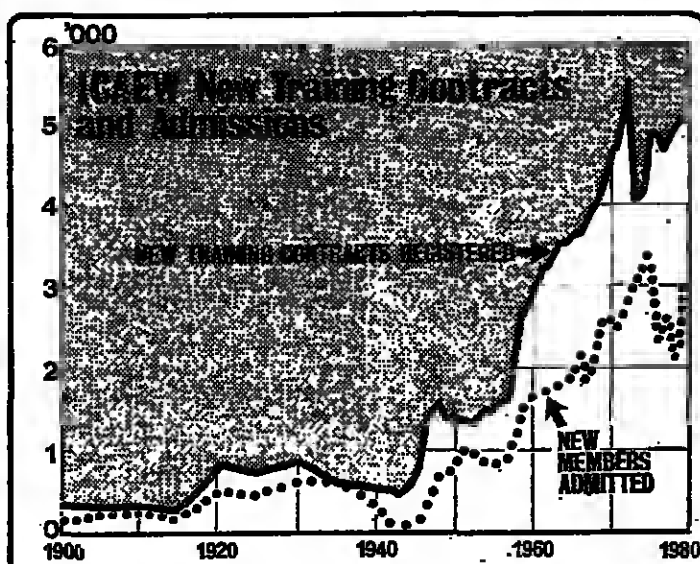
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The remaining articles in the survey present a round-up of the views of some of the major sectors of the community whose members have a particularly close working interest in the efficiency of accountants

## Critical eye from fund managers

BACK IN 1978 when Mr. John Grenside unveiled his report calling for stronger disciplinary measures within the accounting profession, he spoke of the need to halt "the erosion of public confidence in the profession which has been going on for the past few years." As a result a disciplinary committee with wide-ranging powers to censure firms and individuals for professional incompetence has been in existence for nearly a year.

While applauding the profession's move to tighten up control over its members, institutional investors and professional analysts do not appear to regard the new disciplinary climate as particularly important in improving the standard of company accounting.

In part their reaction is tinged with a degree of cynicism both about whether the threat of discipline will make accountants more professionally punctilious, and about the frequency with which the disciplinary body will find and attack cases of gross incompetence.

## Cynicism

There is also a more fundamental cynicism about whether more competent accounting, or more particularly auditing, is likely to prove a panacea to relieve investors' problems of assessing a company's investment potential. "An investor," one fund manager said recently, "only wants one thing from a company's accounts. They should disclose fully and adequately the true financial position of the company."

More consistent auditing will improve the level of disclosure and can bring to light certain problems. But it cannot eliminate the possibility that the company's real position may be quite different from its description in the accounts, he said.

This view is widely shared among professional analysts. In its strongest expression the role of auditors is dismissed as simply "making sure that all the numbers balance and the right pieces of paper exist to match all the entries." The less fastidious point out

that the most searching accountant or auditor must take a wide number of relevant facts on directors' estimates. "No matter how many accounting standards are introduced," one stockbroker says, "there will still be large numbers of variables. As a result investment evaluation must still remain an art rather than the science of extrapolating trends mathematically from published accounts."

Leaving this fundamental doubt on one side, however, professional investors and analysts have a generally high opinion of the accounting profession. Mr. Grenside may have been right in saying that public opinion had been eroded during the mid-1970s by a series of highly publicised company crashes, such as that of the London and County bank group which heralded the secondary banking collapse, or individual cases of auditing blindness such as the misinterpretation of loans in the accounts of Scottish and Universal Investments or the Grays Building Society.

But the professional investors see such events as inevitable yet surprisingly infrequent. Rather than pointing to examples of accounting shortcomings, the professionals one speaks to on this matter point out the cases where auditors have revealed material problems which have given investors early warnings of problems.

## Alerted

In recent weeks the collapse of Fairbairn Lawson has attracted considerable interest because its decline into receivership has seemed so rapid. But professional investors were alerted early last year to the potential problems when the company's auditors uncovered a major shortfall in financial controls in Greenhat, a subsidiary.

Another much publicised case has been that of St. Felix, the Cornish tin mining and property group whose shareholdings have been the subject of much acrimony in the past year.

Several analysts have pointed out the role of the auditors once again in maintaining a list of qualifications to the 1979 accounts in the face of explanations by the board which the board believed sufficient to have the qualifications withdrawn.

Institutional investors believe strongly in the value of the auditor's report and qualifications. It usually results in searching questions. The investment protection committee of the national associations of insurance companies and pension funds regard a significant qualification by an auditor as grounds for a preliminary inquiry of members to determine if a case committee should be established.

Where the professionals do agree with recent accusations by Department of Trade inspectors is over the working of auditors' reports, described as "hazy." It seems that they will, therefore, approve the introduction of compulsory standards for auditing last month. Already there is wide consensus over the guidelines which lay down differences of approach between "fundamental" and merely "material" qualifications.

Christine Moir

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## ACCOUNTANCY VIII

# Management views on auditors

"WE HAVE a love-hate relationship with our auditors." This remark by a finance director could be said to typify the attitude of industrial management towards auditors. Reactions to outside accountants obviously differ and it might be hard to find ungenerous comments from many finance directors who had their grounding in audit work before moving into industry. That is not to say that auditors are without their critics.

A finance director of a large engineering group found the annual audit "annoying and time consuming, but when they have gone I feel happier. It is like having an annual medical check. It is not something you look forward to but once you have got that clean bill of health you feel confident."

Yet the same finance director criticised the training of auditors in that it makes them "narrow-minded"—a sentiment echoed by the chief executive of a quoted motor dealer who found many of the outside accountants he came into contact with "negative thinkers." He felt some sympathy with them, however, because "they are on a hiding to nothing." If anything goes wrong and the auditors can be blamed, they will be. If not, the company's chairman takes credit.

Generally finance directors seem to rub along with their

auditors reasonably well. One financial controller said: "Not a year goes by when we don't learn something. They give us an example of high professional conduct, and if they have their wits about them they get clients to improve systems, almost bridging the gap to management consultancy."

Not all management take such a friendly stance towards auditors' "advice" on internal systems. "When we moved our systems over to computers some years ago the auditors wanted us to run the business to suit them rather than our own needs" was one comment.

Larger companies should have fairly sophisticated internal financial systems. So what do the companies really get out of the audit that they do not already know? In the words of a senior accountant of a large industrial company, "Auditors are there for shareholders' protection and while they only confirm the figures I have got in front of me, not every company strives for excellence so they are a very necessary part of the system."

### Conflict

Sometimes conflict between management and auditors boils to the surface, though rarely in a spectacular way. For example, the recent Dorada Holdings accounts showed signs

of a debate that must surely have gone on behind the scenes. The auditors qualified the accounts on two points. One was the company's practice of not depreciating freehold or long-leasehold property. Mr. Tom Kenny, chairman, replied in his statement: "The auditors will have to go on complaining because we adhere to our policy of five-year valuations instead of arbitrary deductions." Perhaps qualification and a chairman's rebuff will become a standard feature in future Dorada accounts.

The one common complaint from management, whether they got along with their auditors or not, is the length of time spent on the audit. As one industrialist put it: "As a watchdog the auditor's probing must be regarded as sacrosanct, yet I think a lot of time is spent digging too deep and flying off at tangents."

Unlike his larger counterpart, the small businessman usually relies totally on outside help for his accountancy guidance. He is unlikely to be aware of anything more than the basic profit and loss account and balance sheet principles. From this sort of position many small businessmen feel wary of offering opinion on the services they receive.

Some managers of small companies seem to hold their accountants in awe, which high-

lights one of the main problems. As advisors, accountants often talk to their clients in the "jargon" of their profession, not realising, or perhaps not particularly caring, whether the recipient fully understands. There seem few complaints from the "small man" about accountants as auditors, which are not shared by large business. Many find the auditors' work surprisingly lengthy and time-consuming, but relationships between companies and auditors sound reasonable for the most part.

### Specific

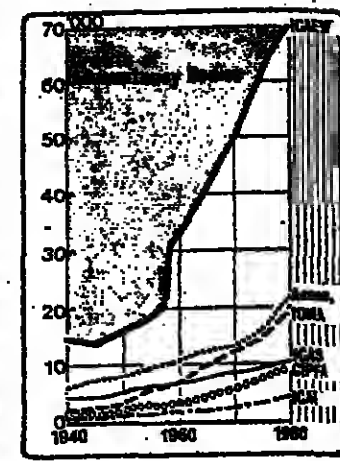
Moreover, where a businessman approaches his accountant with a specific problem the help he receives is virtually always highly satisfactory. The real difficulties seem to be that the accountants do not proffer enough advice for their clients.

It is this lack of communication between accountants and the small businessman which Stafford Robert and Partners, a London-based firm specialising in advice for small private businesses, and therefore competing with accounting firms, finds the most common complaint from managers of small companies.

The lack of contact was a difficulty often quoted by the banking fraternity in giving their views on the service

offered to smaller companies. So this particular problem, it seems, can be identified fairly widely. The question is what can be done about it. Presumably accountants in the provinces are so inundated with work that there is a limited time that can be devoted to any single client. But this is not to say the problem is confined to the provinces. One small London businessman thought he definitely got a worse service from the larger accountancy firms because they spent all their time with the big companies.

Terry Garrett



# Whitehall and company reports

THE NEEDS of Government are not fully served by the corporate information presently being churned out by the accounting profession. This is the consensus of a number of civil servants and political appointees in Departments such as Industry, Trade and the Bank of England.

The feeling of many statisticians and industry analysts in the Government appears to be that the kind of information contained in the average company report is designed principally for shareholders and does not provide them with enough disaggregated detail. At the Department of Industry (DoI), which uses company accounts in both its survey division and when financial assistance is being sought from the Government, the key point is that standard company accounts

leave out the most important information for policy-makers. In determining the crucial concept of "additionality"—whether a company project would be deemed to be Government aid—DoI officials say it is not the published information so much as the background data and forecasts which are of interest.

This problem holds as well in the preparation of national accounts. An official at the DoI explained: "If company accounts could provide more disaggregated information, it would help us greatly in preparing national figures. Some areas of company accounts we regard as expressions of opinion." He cited property valuation, debt provisions and goodwill provisions as examples.

The problem of getting special financial information is one which confounds several Government branches. The Business Statistics Office (BSO), the Newport-based service

arm of both the DoI and DoF. The BSO produces about 1,000 different business monitors each year and employs 970 people to watch British industry.

Last year the BSO sent out no fewer than 370,000 special statistical questionnaires to UK companies. An official said that there were often details not sufficiently covered in a company's balance sheet which required special Government inquiry.

### Implemented

Aside from the desire for more detailed information than other major themes which emerges from conversations with Government officials is the wish to see inflation accounting implemented as quickly and as broadly as possible.

Lord Trenchard, Minister of State for Industry, feels very strongly that if company accounting were improved

through the adoption of current cost accounting, British industry would be more aware of declining profitability.

In a speech to the Institute of Management Consultants last month, he said: "Historic cost accounting has been used for centuries. It is precise in money terms but gives a misleading picture of profit in a period of changing price levels. In particular, in the period of relatively high inflation that has existed in the UK since the early 70s, historic accounting considerably overstates the profits of most businesses."

Lord Trenchard went on to say that he hoped inflation accounting would not be regarded just as "an interesting accountancy exercise." The ultimate goal, he said, should be for companies to treat CCA accounts as the principal ones for the purpose of compliance with the Companies Acts.

This view was echoed by Mr.

Gordon Richardson, Governor of the Bank of England. "I welcome the new inflation accounting standard that has been promulgated by the accounting profession, ensuring that from next year onwards published accounts will, save for small companies, invariably include a profits statement on a current cost basis," he said recently.

Generally, there was not any severe criticism of the accounting profession by Government staff. The feeling of policy-makers was aptly summed up by Mr. John Knowlton, head of the Accountancy Services Division of the DoI: "We in the Civil Service are basically satisfied with the output from the accountancy profession. We do, however, wish to see much more weight attached to CCA presentation. On this point I think there is widespread agreement within the Government."

Alan Friedman

# Unions seek information in depth

THE MAIN complaint of the trades unions is that much of the information contained in UK annual reports is inadequate, particularly employment information. This contrasts markedly with the position in Continental European countries. According to the Trades Union Congress (TUC), negotiators require such information for a variety of purposes, but particularly in order to make comparisons of performance and of collective bargaining provisions between companies.

The TUC recognises that there remains a requirement for company reports to be published and the quality of those reports to be improved, but says that for the future the main thrust towards seeking improved information is going to be through the development of collective bargaining machinery rather than looking to published company reports.

The TUC says that this is because published annual reports cannot comprehensively cover the many points which arise, often on a day-to-day or week-to-week basis at company, plants, workshop or office level on which information may be required, as and when.

To ensure adequate and uniform disclosure in reports the TUC wants to see disclosure requirements backed by law. It also wants more adequate information about activity in a company's industry sector in order to overcome difficulties in

relating company information to the broad product groups covered by the CSO's Standard Industrial Classification. Company report data should be reconcilable to national income and expenditure statistics, says the TUC.

The TUC welcomes the growing popularity of "employee" reports—a simplified account of various aspects of annual performance that is increasingly being made available to workers at the time of the annual report. It complains, however, that companies often use them to put their own interpretation on results "in a way which is not possible in statutory accounts and reports,

and to include or omit points as they think fit."

The TUC says that there is a need to prevent companies reporting the good news in "employee" reports and lodging the bad news with the Registrar. Moreover, it believes that a company's annual report should be discussed with appropriate trades union representatives with the aim of an agreed report being produced.

Another complaint is the length of time some private companies take to lodge accounts and reports with the Companies Registration Office. The present requirements to file within seven months by public

companies and within 10 months by private companies could well be reduced to six months in each case, says the TUC.

In general the TUC is critical of the Government's recent Green Paper on Company Accounting and Disclosure, a large part of which is concerned with setting out the detailed provisions of the EEC Fourth Directive on company law. Many of the proposals will "make it more difficult for the employees of a company and their representatives to secure reliable information about the company's activities and financial position," says the TUC.

Arnold Kransdorf

# Bankers see both sides

BANKERS see accountants from both sides of the fence. They employ them as staff and use the services of outside accountancy firms while also . . . ? ? ?

them across the table when the accountant is putting the client's case for just a "little extra time" or a "little bit more on overdraft."

Bankers certainly hold views on and for the most part are fairly flattering in their remarks about accountants. There is a strain of opinion, however, that accountants, bankers and clients should spend more time around the table. If any criticism comes the accountant's way it is that he does not spend sufficient

time with his client getting to know the business. This is a fault found more common in the provinces where clients tend to be smaller and the fees, no doubt, equally so.

According to one member of a clearing bank "the accountants usually do their best for the smaller business in presenting something at the end of the day, but I don't think they always spend enough time explaining the problems." A small businessman is often good at producing and selling a product, but few are financial wizards. Accountants should see difficulties coming over the horizon, debtor ratios getting out of

band, margins gradually narrowing, stock turn reducing, and the cash flow problems which all too often mark the end.

If the accountant explained more to the small businessman from his analysis perhaps a few more smaller companies might be saved from the accountant's other services—liquidation and Receivership. But possibly the real answer is that you get what you pay for.

One final shot . . . one banker was worried by a creeping lack of numeracy! That must be a fairly damning remark to make about a profession based on understanding numbers.

T.G.

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# The 'model' in need of an overhaul

ON SUNDAY EVENING Sweden's employers defiantly ran up the flag of resistance to high wage increases and three hours later bailed it down again. They responded to a "pressing appeal" from the non-Socialist coalition Government to halt the worst labour conflict in Swedish history.

The leaders of the Employers' Association (SAF) accepted a complicated "pay" settlement recommended by mediators against which they had just listed 10 objections. Swedish industry's unit labour costs will rise by 11-13 per cent, according to rough preliminary calculations.

Mr. Olof Palme, the Social Democrat leader, described the Sunday evening performance as a "poor opera" stage-managed, he implied, by the Government, in order to save the employers' faces.

But he was in no doubt about who had emerged best from the confrontation, which severed nearly all Sweden's air and sea connections with the outside world for 17 days and saw half the working population on strike, locked out or working to rule for 30 days.

The trade union movement had successfully withstood a concentrated attack by the employers intended to weaken it and protect its members' purchasing power, Mr. Palme said. He was more circumspect, however, in commenting on the consequences of the pay settlement for the economy.

Mr. Gösta Bohman, the Economy Minister, says wage levels will now be 2.5 per cent higher than the Government had reckoned. The revised finance plan for 1980 presented only last month will have to be revised again. The pay settle-

ments would weaken the foreign payments balance, raise the inflation rate and place great strains on the economy, Mr. Bohman said.

The settlements will also increase the pressure on Mr. Thorbjörn Fälldin's three-party coalition, which possesses only a one-vote majority in the Riksdag (Parliament).

There is a wider perspective. Comment on the crumbling of the Swedish model has become trite. The paragon is human, like the rest of us. It may be more pertinent to look sympathetically at Sweden's latest, dramatic conflict as the

## Protagonists in one plot jealously watched developments in the other

struggle of one of the world's most advanced industrial and welfare states to come to terms with changing international economic circumstances.

The assumptions and goals with which the protagonists started the conflict effectively illustrate Sweden's current problems. The leading parts were played by the LO (the blue-collar trade union federation), the public sector unions acting in concert, SAF, and the Government. A fifth actor, the negotiating body for the private sector white-collar workers, has been waiting in the wings for its cue.

The drama had a double plot. One featured the contest between the private sector

employers and workers. The other concerned the set-to between the state and local authority employees and their employers. Protagonists in the one plot jealously watched developments in the other.

The LO's position was that its members' real incomes had fallen by 1 per cent over the past two years, company profits had improved substantially. In 1979 and the employers could afford to pay wage increases which would maintain workers' purchasing power unchanged.

The leaders of the four public sector unions, dubbed "the gang of four" by the Swedish Press, were anxious that their members' incomes should not fall behind those of industrial workers. They were alarmed by the Government's declared intention to cut public spending.

They worked hard to keep ahead of the game. They struck first by calling out the air controllers and customs officials and by launching an unprecedented work-to-rule among nursing staff, including those in operating theatres.

The employers' declared aim was to restore the competitive position of Swedish industry in foreign markets. Their economists estimated that industry's unit labour costs had increased by 26 per cent in comparison with those of its competitors between 1973 and 1976. The two devaluations of the krona, in 1977 and the low wage settlement of 1978 had only restored half this gap, they claimed.

Fundamental to the employers' attitude was the memory of the "disastrous" national wage agreement of 1975 which set nominal incomes soaring by close to 40 per cent in two years and which prompted a change of leadership at

SAF headquarters. Mr. Curt Nicolin, the tough outspoken chairman of the ASEA heavy electrical group, took over.

His ambition was high. It was time for the employers to "dig in their heels." 1980 was to mark a change of direction in Sweden's economic development. SAF's decision to lock out 750,000 employees was "an investment in the future."

The non-Socialist government's position was close to that of the employers. Its main concern was a current account deficit estimated to reach SKr 16.6bn (£1.7bn), or 3.4 per cent of GDP this year and a 1980 budget deficit of SKr 55bn on an outlay of SKr 206bn.

The payments deficit, hoisted by a SKr 10bn increase in the oil import bill this year, is forcing it to borrow abroad at the rate of SKr 1.5bn a month. To deal with the long-term budget deficit it is at last girding itself to cut spending in a public sector which accounts for some 65 per cent of GDP.

To restore both imbalances it hopes for industrial expansion and recognises that the fragile 15 per cent improvement in industrial investments it foresees this year could be thwarted by high pay increases.

The Government's efforts to promote low pay settlements were clumsy and ill-timed. On March 27 it imposed a six-week price freeze, which it undertook to maintain until the end of the year. It wage levels remained "basically unchanged."

It complemented the freeze with tax reductions of SKr 500 for medium income groups, a promise to eschew forthcoming farm price increases into the budget and a plan to compel companies to place part of their

1980 profits in investment funds. The LO had asked for this culling of profits which will in effect have tax advantages for companies.

It is generally accepted that the Government should have presented this package either before the unions and employers had staked out their negotiating positions or right at the end just before mediators reached deadlock. Instead, it was dropped with a sickening thud in the middle of the talks.

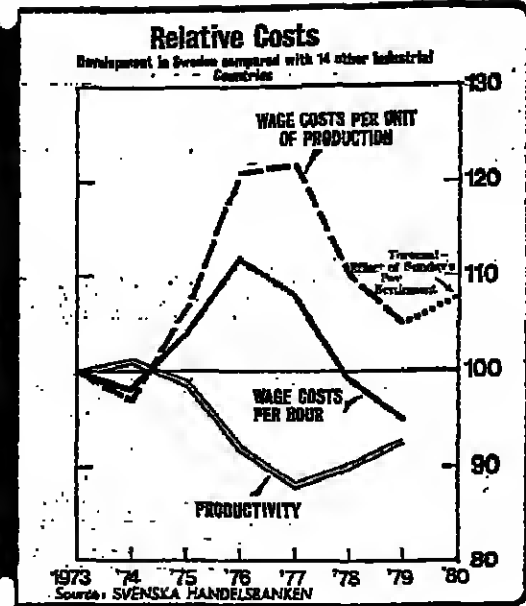
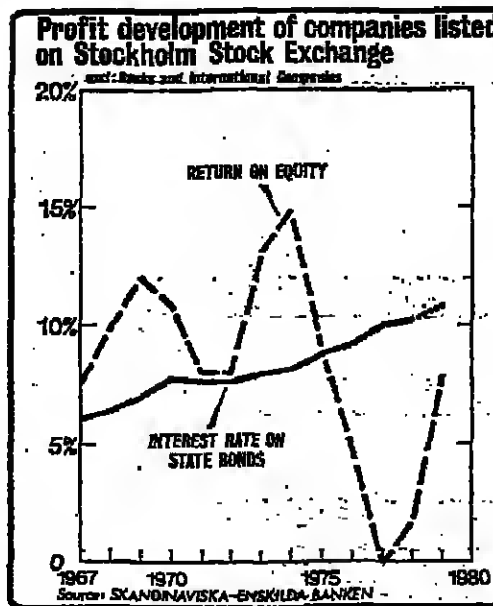
The Government's ineptitude was aggravated by its inexperience in playing the national wage bargaining game which is the core of the "Swedish model" and which for 44 years rested on the understanding between Social Democrat governments and the LO.

The model presupposes free bargaining between the "labour market organisations" without Government interference. This works very well when there is economic growth. The machinery starts to choke when the economy has stagnated or growth is small.

The theory behind the model is that—assuming no change in the international competitive-ness of Swedish industry—the employers and unions together establish the margin available for wage and profit increases and then negotiate the distribution of this margin.

In this context the breakdown in the process which led to this month's mammoth strikes and lockouts could be interpreted as arising from the unions' refusal to admit the employers' claim that industry's competitiveness was still too low and that in dividing the margin priority should go to capital over labour.

In fact the Swedish situation is more complicated. The conflict reflects the inadequacy of the wage bargaining machinery in its traditional form to cope with the country's de-industrialisation, the pressure for restructuring Swedish industry because of the competition from developing countries and the imbalance reflected in the budget deficit.



is far more complicated. The conflict reflects the inadequacy of the wage bargaining machinery in its traditional form to cope with the country's de-industrialisation, the pressure for restructuring Swedish industry because of the competition from developing countries and the imbalance reflected in the budget deficit.

The strains of trying to channel these problems through the wage bargaining machine are shown in the contradictory actions and inconsistent reasoning of the four main protagonists.

This year's incomes negotiations concerned much more than distribution of the margin. Within the industrial sector there was a traditional claim between wage-earners' claims and the employers' wish to pay shareholders bigger dividends, so as to encourage investment in stocks.

But this contest now involves wider issues, such as the employers' perception that industrial wages need to be more widely differentiated, in order to stimulate the movement of labour from subsidised industries to profitable companies with a future.

The employers' approach runs head-on against the unions' "solidarity principle" or policy of equal pay for equal work regardless of the profitability of

a company. In another context LO and SAF had at least a tacit understanding that wage levels in industry should rise faster than in the public sector. This understanding was a snare which got in first with its claims and strike action and negotiated "compensation" for any "wage drift" in the private sector.

This clash of interests between unions mirrors the current imbalance in the

## The showdown has emphasised trade union power

Swedish economy between the swollen public sector and industry. Again, the problem is more profound because the margin available for distribution in wage negotiations is now largely pre-empted by guarantees of unchanged incomes to pensioners and the consensus in favour of subsidies for families with children.

In initially rejecting the pay settlement SAF suggested that the course of events this year demonstrated the necessity of re-examining the Swedish

negotiating model. Elaborating on this idea Mr. Olof Ljunggren, SAF's managing director, said it might be better to bargain at branch level rather than to hold national negotiations.

The denouement of the conflict on Sunday is a setback, not only for the employers. It illustrates the weakness of the non-socialist Government and underlines its difficulties in changing the course of the economy. This bodes ill for the Government's chances of survival.

It also raises again the question of whether Sweden can preserve its mixed economy with room for market factors to operate or whether it is embarking on an inevitable transition to a planned economy.

This month's showdown has emphasised the power of Sweden's trade unions. To many Swedes the reminder has been a shock end to that extent the conflict may have widened the political division between socialist and non-socialist.

It is doubtful, however, whether the non-socialist parties can summon the unity and determination to effect fundamental changes. Sweden will never take the same road as Mrs. Thatcher's Britain. Even when the Social Democrats are in opposition the labour movement still holds the key to change. That is the lesson of Sweden's biggest industrial conflict.

## Stasis not movement

From Mr. A. Bracey

Sir—One doesn't know whether to laugh or cry at Mr. Len Murray's wails about the "cumulative vituperation and threats from the Press" provoked by the quite gratuitous TUC threat to endeavour to engineer widespread industrial disruption on May 14.

It is evident from his and Mr. Bassett's reported remarks that they have no useful new ideas to offer, but would only seek to deflect the Government from implementing policies that are essential if the ravages of years of Labour Government (with full TUC consultation, not to say dictation) are to be repaired. They appear to have learned nothing from past events and to be still prisoners of their tired dogmas. As in Sweden, trade unions are better at slowing economic activity than at promoting or sustaining it, and far too trigger-happy about halting it.

Is it too much to hope that the mouthpieces (and little else) of the unions will ever realise that most of us are heartily sick of paying for the institutionalised inefficiency of the trades union stasis (not movement), and are determined that something shall be done about it?

Alan Bracey,  
93, London Road,  
Rye, Wiltshire.

## Contracts and the law

From Mr. K. Winckles

Sir—In your issue of May 9 which your employees courteously allowed you to publish) you report Mr. Foot as saying in the House of Commons that trade unionist not apparently employees or workers) could "decide for themselves what they want to do on May 14."

Is that so? If Mr. Foot does not recognise a contract of employment when he sees one it would not be surprising. Once again, his statement underlines a deep seated problem in our society today, viz that contracts and the law are irrelevant to the trade union movement. And Labour Members of Parliament, where law originates, apparently see nothing odd about it. Kenneth Winckles,  
100, Wood Street, EC2.

## Protest against democracy

From the Vice-Chairman, Tunbridge Wells Young Conservatives

Sir—The TUC's "Day of action" is in my opinion yet another example of trade unions' anti-democratic motivation. Did they not after all have their chance to influence economic policies while the last Labour Government was in power?

Democracy is where the power of government lies in the hands of the people, and last May the people voted for the Conservative Party to exercise that power.

## Letters to the Editor

serve only to deteriorate further our industrial society—something which I thought the trade union movement wanted to improve. It is surely time that trade union leaders were brought down to earth from the silver dream cloud that they seem to be existing on.

I fervently hope that everybody will take all steps possible to continue working normally, in the face of such an abhorrent and blatantly political, protest against democracy.

J. E. Trehwitt,  
44 Shirley Gardens,  
Tunbridge Wells, Kent.

## Political fuel

From Elizabeth Young

Sir—Dr. David Wilson of Leeds University (April 23) expresses great confidence in the future of Soviet oil production. The Soviet authorities themselves may perhaps share that confidence, but their gung-ho concern to develop nuclear power, particularly in the central and western regions, suggests that perhaps they may not.

By 1980 atomic power stations in the European part of the country will account for over one third of total power production and the region's energy needs will be supplied without increasing consumption of any other fuel according to a "high ranking official of the State Planning Committee" speaking to a Tass correspondent on April 21. Atomic power stations are to be sited in immediate proximity to residential districts. "Such atomic stations are absolutely safe."

Another report from Moscow states that by the year 2000, nuclear energy will supply a fifth of the country's energy requirements. Fast breeder reactors will be in use and "it is also planned to begin engineering work to develop experimental power generating thermo-nuclear plants."

But we should not lose sight of the political uses of oil and gas. Tass has in recent days been pointing out to America's allies in Western Europe who import oil and gas from the Soviet Union that any attempted policy of "economic blackmail" towards the Soviet Union involves the risk of losing this source of energy—and, after all, which represents a very substantial investment on the part particularly of West Germany. Organisation of Petroleum Exporting Countries' oil is not the only political oil. Elizabeth Young,  
100 Baywater Road,  
W2.

## Non-voting shares

From Mr. R. Instone

Sir—It is good news that the National Association of Pension Funds is renewing its pressure for the enfranchisement of equity shares carrying restricted or no voting rights.

There is a long history of legislative intervention to counteract managerial immunities. The 1948 Companies Act, for example, prohibited tax-free remuneration for directors, made them in most cases removable by a simple majority of votes. The case for a further intervention over non-voting shares has for decades been overwhelming; but the silence on this topic of the Council of the Stock Exchange and the Council for the Securities Industry has been deafening. This is the more surprising since the listing requirement have for long insisted that preference shareholders shall have reasonable voting rights in appropriate circumstances. Why is there no similar requirement in the case of equity shares?

The answer sometimes given is that this is a matter for legislation; but such an answer comes oddly from the champions of self-regulation.

To erase this blot on our company law it would be unnecessary to give all equity shareholders unrestricted voting rights; and some would regard such a proposal as an undue interference in freedom of contract. All that is required is a provision, analogous to those in the 1948 Act which I have mentioned, conferring identical voting rights on all equity shareholders for one class of resolutions only, viz those for the appointment or removal of any director.

Another Companies Bill is promised by the Department of Trade for the next Parliamentary session on companies' accounts, and a provision to the foregoing effect could easily be included in it. Ralph Instone,  
7, New Square,  
Lincoln Inn, WC2.

## Back national skills

From the Director, National Computing Centre

Sir—You rightly describe (May 1) the disposal of the EMI scanner as a bitter blow. The impact of that blow will, however, be doubly damaging if a conclusion is drawn that British industry engaged in the application of advanced computer technology would do better to transfer or share the task rather than to place its dependence upon British skills.

The British team which created the original EMI scanner business achieved a major technical, manufacturing, marketing and financial success. More than \$500m worth of complex systems were profitably placed in service in over 30 countries and daily diagnoses some 10,000 patients.

## Competitive pay scales

From the Chairman, Trebor Group

Sir—It is a pity that when something unusual like the appointment of Mr. Ian MacGregor happens, a high proportion of people hear the air rather than wondering how such things come about.

The event caused us to look at what we pay people to take responsibility and the conclusion we came to was that payment for responsibility has shrunk over the last few years that it really is difficult to find people to take these vital jobs. Money is bus everything but it is something that we can examine.

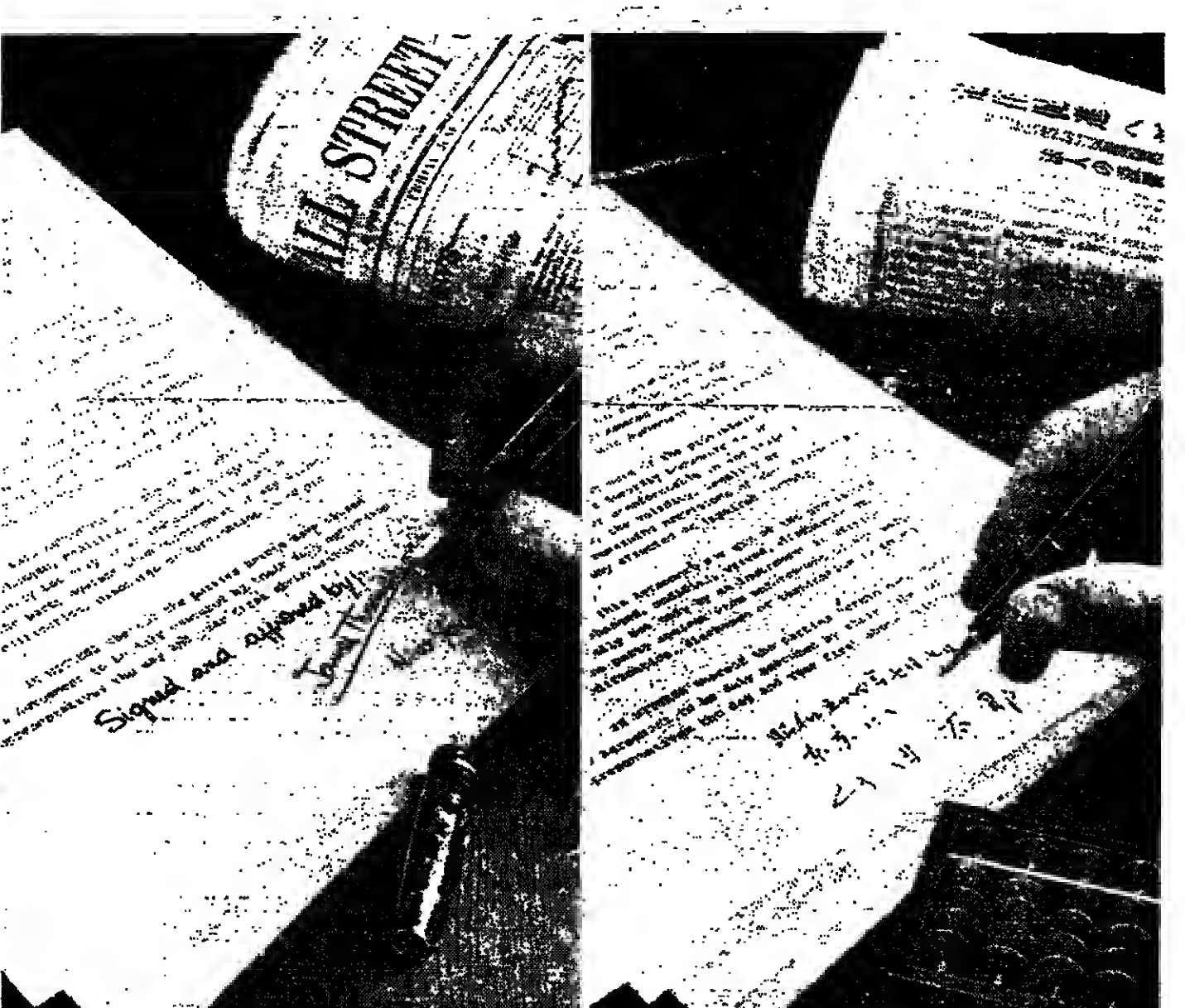
Our payment for responsibility system is, roughly speaking, the male average weekly wage plus a payment per unit of responsibility. In 1964, we paid somewhat below the average wage plus a payment per unit of responsibility. In 1980, our pay scale is still reasonably competitive and we pay just below the average wage plus £5 per same unit of responsibility. A pound is worth about one-fifth of what it was in 1964 so the actual payment for responsibility is less than one-third of what it was 16 years ago!

No wonder bizarre transfer payment systems develop. John Marks,  
Trebor Group, Trebor House,  
Woodford Green, Essex.

## Transport in London

From the Chairman, London Transport Committee

Sir—I hope you will allow me to correct one inaccuracy in your leading article "Better transport for London" (May 2). You say that the effect of traffic congestion on bus timetables was "exacerbated by the Greater London Council's policy of eliminating bus lanes." In fact, during the last three years, only 17 bus lanes have been removed. They had been installed experimentally and did not live up to expectations.



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## Burmah planning £60m spending programme

BY RAY DAFTER, ENERGY EDITOR

Burmah Oil Company is planning to double its capital expenditure to around £60m this year.

Some of the investment would be injected into North Sea ventures, for the group was hoping to expand its oil exploration and production activities. Last year oil production from the UK's Frise Field, in which Burmah has an 81 per cent stake, contributed significantly to the group's pre-tax profit of £67.3m (£17.1m in 1978).

It was disclosed that Burmah intended to lead two consortia which will shortly bid for new exploration licences on the UK's Continental Shelf, one will concentrate on the North Sea, the other will seek licences in the English Channel.

Each consortium will contain a number of international companies, although they will both have predominant UK interests. The Government has said that it will favour applications from groups with substantial UK interests.

Part of the investment will also be used to make Burmah's Ellesmere Port oil refinery more energy-efficient. The Catalytic lubricants business, together with two companies in the automotive sector, Quinton, Hazell and Holford, will also receive

a share of the capital expenditure as part of a wider expansion programme.

Mr Stanley Wilson, managing director and chief executive of Burmah, said that the bulk of the investment would be financed from the group's improved cash flow. It was the company's intention, he said, to develop the three main sectors of its business: oil (including exploration and production); industrial activities (wholesaling and retailing); and shipping (including the operation of a terminal in the Bahamas).

On the shipping front, Burmah has taken out of mothballs its previously laid-up liquefied natural gas carrier, the Aquarius. The carrier, the only one of eight vessels not permanently dedicated to the Indonesia-Japan LNG trade, is being used temporarily to carry liquefied gas between the two countries. Burmah is hoping that an increase in the Indonesia-Japan trade will absorb spare capacity on its seven dedicated carriers and result in the permanent employment of Aquarius.

Burmah, which had a turnover of £1,087m in 1979, says in its annual report that the recommendation of 6.5p per share dividend for last year marks the

restoration of the group to a "healthy financial condition." For the first time since 1974 the auditors had not thought it necessary to qualify their report. Mr. Wilson said that so far this year the group had coped with depressed trading conditions "reasonably well."

### comment

After the years of retrenchment, Burmah is now showing its determination to rebuild its operations. Capital spending this year is to double to £60m, with a substantial slice going to expand the distributive outlets of Holford and Quinton Hazell. So, with post-tax earnings unlikely to be much higher in the current year, a small increase in net borrowings may be required. The proportion of net debt to equity, now a shade below 75 per cent, looks unlikely to fall appreciably in the short-term, while the company's ambitions in oil exploration may be proving expensive in cash by the mid-1980s. In spite of the healthy current cost dividend cover of nearly two times, therefore, any hopes that the rise in dividend will be sharp over the next year or two are probably misplaced. The share price rose 6p yesterday to 216p.

## Bonus payment as French Kier tops £8.27m in record year

RECORD LEVELS in both turnover and profits for 1979 are reported by French Kier Holdings, civil engineering construction, building, housing and property developer. Pre-tax profits climbed from £7.5m to £8.27m after improving from £3.3m to £3.6m at half-year.

After tax of £3.43m against £3.53m, stated earnings per 35p share are up from 8.2p to 10.2p, and the final dividend is raised from 1.1p to 1.55p for a total of 2.5p (1.925p), and includes a non-recurring payment of 0.25p.

The group had a substantial extraordinary profit of £1.22m (£305,000 loss) from the sale of a completed development in Canvey Island, Essex. This investment has been held as a fixed asset.

Mr. J. C. S. Mott, the chairman, says the four main operating sub-groups all traded profitably, but the trading results of certain individual companies are giving concern, reflecting the difficult trading conditions in the British construction market.

The Robert Marriot Group registered a loss of £88,000 as a result of difficulties experienced with a number of contracts.

Looking ahead, he says it would be unrealistic to expect that, in view of the Government's stated policies, there will be any marked improvement in the UK construction market. Estimated margins are likely to be under continuing attack.

Overseas the group continues to face fierce competition, but it has maintained its order books in the main overseas business. Group turnover for 1979 was a record £208.8m against £163.2m. Of this total "construction in Europe" increased its contribu-

tion by 35 per cent to £157m.

### comment

The turnaround into losses from 1978's £1 profit by the Robert Marriot subsidiary has held profits at French Kier to a modest advance. Almost all of the striking turnover boost came from construction in Europe. Profits there were £3.5m, with construction overseas dipping to a further £3.3m. Interests outside mainstream construction accounted for £1.4m profits with property coming strongly ahead from last year's break-even to contribute £0.8m. Net cash holdings have increased by £3m to £11m and to interest receivable should continue climbing in the current year. Elsewhere, the picture is less cheery. Marriot at least reach break-even this year, but European margins are tight and the UK public sector holds out little hope. At 35p, down 1p, the share price discounts net worth by a third. The fully-taxed historic p/e is 4.5 on an historic yield of 8.5 per cent, stripping out the once-off distribution.

### £0.36m deficit for Tysons (Contractors)

A SECOND HALF loss of £195,815 against a profit of £105,936, resulted in Tysons (Contractors), construction engineer, reporting a loss of 1979 £362,994, compared with a pre-tax profit of £211,300 in the previous year. The loss was struck after adopting SSAP9 on stock valuation which amounted to £148,700. The board says the workload

in 1980 has shown signs of improvement and it is thought that the downward trend in profits leading up to 1979 has now reversed.

As a tax credit of \$46,555 (£73,830 charge), there is a loss per 10p share of 6.23p, against earnings of 2.67p, but the dividend is unchanged at 2.1175p. Turnover for the year improved from £10.55m to £14.24m.

## E. J. Riley falls to £345,000

REFLECTING DIFFICULT trading conditions, pre-tax profits of E. J. Riley, snooker and billiard table maker, snooker club operator, fell from £408,000 to £345,000 for the six months ended January 31, 1980, on turnover of £3.47m against £3.1m.

With no sign of an improvement in trade, results for the second half will be affected, directors state, but the company is working hard to improve the position and looks to the long-term future with confidence.

Profits for the 1978-79 year were £303,000. Earnings per 10p share are shown as 2.55p (3.55p) as at January 31, after tax of £179,000 (£204,000), and the interim dividend is unchanged at 1.25p net—last year's final was 2.25p.

The directors say that the trading situation was further aggravated by the increase in imported furniture, helped by the strength of sterling.

The snooker clubs, however, continued to produce good results, they add.

### BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interim or final and the subdivisions shown below are based mainly on last year's timetable.

| TODAY  |         |
|--|---------|
| Interim—Matthew Brown, Herman Smith, Rankin McQuinn, G. H. Smith, Barr and Wallace Arnold Trust, Balm and Lunn, City of Oxford Investment Trust, Gair Paton, London and Lancashire Investment Trust, J. T. Parrish, Weller Bunciman, Sellin, JDS, Wymond Investment. |         |
| FUTURE DATES   |         |
| Interim—Associated Paper Industries  | May 15  |
| Australia and New Zealand  | May 15  |
| Banking  | May 16  |
| Cardiff Property   | May 23  |
| Henson Trust   | Jun. 11 |
| Management Agency & Music  | May 18  |
| Penton (Scarborough)   | May 20  |
| Platts   | May 14  |
| British-Somerset Petroleum   | May 15  |
| Buckley's Brewery  | May 28  |
| Butterfield-Harvey   | Jun. 19 |
| James  | May 14  |
| Florida  | Jun. 12 |
| Osprey   | May 21  |
| Humble Investment  | May 22  |
| Hinton (Ames)  | May 16  |
| Price of Wales Hotels  | May 15  |
| Scott and Robertson  | May 20  |
| Stonhill   | May 21  |

## Macdonald Martin at £1.5m

With second half pre-tax profits improving from £77,553 to £90,274, Macdonald Martin Distilleries reports figures for the year 1979 at £1.53m against £1.3m in the previous nine-month period.

Interest charged was considerably higher at £220,516 (£238,631), and tax takes £141,106 (£13,077). The final dividend is raised from 4.78p to 8.5p, making the total 11.5p against 7.78p.

Turnover for the full year was £13.76m (9 months £3.33m).

## Joseph Holt near £1m

AN ADVANCE of £108,148 in the second half enabled Joseph Holt, brewer and wine and spirit merchant, to lift taxable profit for 1979 from £802,505 to a record £977,563.

The net total dividend is being stepped up from 2.4275p to 6p by a 4p final.

In May last year the company forecast a successful 12 months with good use being made of the recent 50 per cent increase in brewing capacity.

With tax taking £472,042 (£373,829) the net balance emerged at £505,521 against £428,676.

# Unilever

Results for the first quarter of 1980

| (£ millions)   |  | Combined 1980 | 1979   | Increase/ (Decrease) |
|--|--|---------------|--------|----------------------|
| SALES TO THIRD PARTIES—Combined  |  |               |        |                      |
| —Combined  |  | 2,687         | 2,424  | 11%                  |
| —Limited   |  | 1,061         | 972    |                      |
| —N.V.  |  | 1,626         | 1,452  |                      |
| OPERATING PROFIT   |  |               |        |                      |
| Concern share of associated companies' profit before taxation                              |  | 144.3         | 127.0  | 14%                  |
| Income from trade investments  |  | 11.6          | 11.8   |                      |
| Interest   |  | 0.3           | 0.2    |                      |
| Interest on loan capital   |  | (16.2)        | (15.8) |                      |
| Other interest   |  | (1.0)         | 8.2    |                      |
| TOTAL CONCERN PROFIT BEFORE TAXATION   |  |               |        |                      |
| Taxation on profit of the year   |  | 138.2         | 129.4  | 7%                   |
| Parent companies and their subsidiaries  |  | (64.9)        | (81.2) |                      |
| Associated companies   |  | (5.7)         | (5.3)  |                      |
| Taxation adjustments previous years:   |  |               |        |                      |
| Parent companies and their subsidiaries  |  | 0.1           | 0.6    |                      |
| Associated companies   |  | —             | —      |                      |
| Outside interests and preference dividends   |  | (4.4)         | (3.4)  |                      |
| Outside interests  |  | (3.5)         | (2.5)  |                      |
| Preference dividends   |  | (0.9)         | (0.9)  |                      |
| Total concern profit attributable to ordinary capital at rates of exchange ruling 31/12/79 |  |               |        |                      |
| Difference arising on recalculation of 1980 results at end March 1980 rates of exchange    |  | 63.3          | 60.1   | 5%                   |
| TOTAL CONCERN PROFIT ATTRIBUTABLE TO ORDINARY CAPITAL                                      |  | 101.4         | 60.1   | 2%                   |
| —Limited   |  | 33.2          | 29.1   |                      |
| —N.V.  |  | 28.2          | 31.0   |                      |
| Earnings per 26p of capital  |  | 16.53p        | 16.18p | 2%                   |

Exchange Rates. As has been our practice the results for the quarter and the comparative figures for 1979 have been calculated at comparable rates of exchange. These are based on £1=FL 4.22=U.S. \$2.22, which were the closing rates of 1979. Total Concern profit attributable to ordinary capital for the first quarter has also been recalculated at the rates of exchange current at the end of March 1980 being based on £1=FL 4.62=U.S. \$2.47.

### RESULTS

In the first quarter of 1980 total sales value was 11 per cent higher than in the corresponding quarter of 1979, but volume was little changed.

In Europe total operating profit was higher than in the first quarter of 1979. Detergents, personal products, chemicals and transport groups all improved, but edible fats were lower than in the previous year. In total margins in Europe were unsatisfactory.

In North America operating profit was lower than in 1979. The other overseas countries showed substantial gains in volume and total operating profit was well up on the corresponding quarter of 1979. UAC International's results were slightly down on last year, mainly because of lower export earnings.

Higher interest rates and a reduction in net liquid funds caused the increase in interest charges.

12th May, 1980.

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| Russell Hobbs | Tubes         | Round Oak | Drynamels | Cox               | Desford |
| Sunhouse      | Crane Packing | Crypton   | & Pollock | New World         | Fords   |



## TI Chairman calls on Government to reduce high interest rates for exporters

Speaking at the Annual General Meeting of Tube Investments, held in Birmingham yesterday, the Chairman, Sir Brian Kellest, appealed for some relief for exporters against the full burden of present high interest rates.

It is now widely recognised that the economic prospects are bleak and that this, combined with the Government's financial policies, puts the manufacturing sector under severe pressure. Sir Brian told shareholders, "The exchange rate, under the influence of North Sea oil and exceptionally high interest rates, is not reflecting relative manufacturing costs between this country and our principal competitors."

At the same time inflation showed little sign of abating, fuelled by continuing high wage settlements, particularly in the public sector and in service industries. Together with the further pressures on margins caused by low demand, these factors combined to produce a severe squeeze on both profits and cash in manufacturing industry.

It is important that the Government should recognise that manufacturing industry contributes 30 per cent of the gross domestic product and two-thirds of the exports of goods and services on which this country's standard of living depends. Sir Brian added, "It is therefore essential that manufacturing industry is enabled to weather the current economic difficulties in sufficient strength to play its part in national recovery in due course."

Turning to the effects of the steel strike on TI's 1980 operations, Sir Brian said TI was still experiencing an aftermath in disruption of schedules and generally diminished confidence on the part of some of its customers. But he added, "Despite the effects of the steel strike, and despite the generally harsher climate in which manufacturing industry is now operating, we expect our pre-tax profits for the first half of 1980 to come close to those for the first half of 1979."

### SUCCESSSES OF 1979

- \* Record £15.3m profits by Domestic Appliance Division.
- \* Silencer companies expand sales to Europe and overseas.
- \* TI Raleigh sells over 1 million bicycles and pavement cycles in the UK for the first time.
- \* British Aluminium production of primary aluminium in Scotland reaches record level.
- \* Chesterfield Cylinder Co Inc starts production in the USA.
- \* Numerically-controlled machine tools from TI Churchill and TI Matrix achieve record sales.
- \* TI capital expenditure up 11% to £48m.

### SUMMARY OF RESULTS FOR 1979

|                        | £m      |
|------------------------|---------|
| External Sales         | 1,213.8 |
| of which Exports were  | 239.9   |
| Profit before Taxation | 52.2    |
| Earnings for the year  | 31.6    |
| Dividends              | 15.1    |
| Total Assets           | 554.4   |

### RESULTS BY DIVISION

|                                  | External sales £m | Profit before interest £m |
|----------------------------------|-------------------|---------------------------|
| Steel tube and steel             | 314.1             | 11.8                      |
| Aluminium                        | 288.4             | 22.6                      |
| Specialised engineering products | 243.3             | 11.7                      |
| Domestic appliances              | 208.4             | 15.3                      |
| Cycles and toys                  | 157.1             | (3.6)                     |
| Parent company etc.              | 2.5               | 4.0                       |
|                                  | 1,213.8           | 61.8                      |

To: D. Saunders, Esq., The Secretary, Tube Investments Ltd, TI House, Five Ways, Birmingham B16 8SQ.

Please send me a copy of the 1979 Annual Report.

Name

Address

At the AGM a final dividend of 13.0p per £1 ordinary stock payable on 15th May 1980 to ordinary stockholders registered on the books of the Company at the close of business on 15th April 1980 was approved.

This dividend, together with the interim dividend of 12.5p per £1 ordinary stock paid on 19th October 1979, brings the total dividend for the year to 25.5p compared with 23.35p for 1978.



We are pleased to announce the formation of a division to conduct our international securities distribution and trading activities.

### A.G. BECKER INTERNATIONAL

John S. Levy  
Chairman  
New York

Gerard Troncin  
President  
Paris

Genève  
Max Bosshard  
Senior Vice President

New York  
Richard A. Rodsham  
Senior Vice President

London  
Charles M. Hale  
Senior Vice President

Pierangelo B. Bottinelli  
Senior Vice President

Nicolas Schlumberger  
Vice President

 Alec D. Green Vice President || Jean Francois Denand Vice President | Harvey B. Erenberg Vice President | Anthony R. Hadlow Vice President |
| Paul A. Mueller Vice President | Carol I. Garcia Vice President | Aldersey Maynard-Taylor Vice President |
| Buenos Aires (Office in formation) Hector R. Cohen | Hans R. Mosimann Vice President | Frederick V. Thomas Vice President |
| Roberto M. Bayley |  | Edward M. Voelker Vice President |

A.G. BECKER INCORPORATED  
WARBURG PARIBAS BECKER  
INCORPORATED

We are pleased to announce the election of

Gerard Troncin

as a Senior Vice President of A.G. Becker Incorporated and a Managing Director of Warburg Paribas Becker Incorporated

A.G. BECKER INCORPORATED  
WARBURG PARIBAS BECKER  
INCORPORATED



## BIDS AND DEALS

## Asprey breaks silence to reject Dunhill offer

ASPREY, the Bond Street jewellers, has broken its silence on the joint £11.4m bid from Alfred Dunhill and Dunhill business interests and issued a firm rejection. It also said profits declined last year.

Mr. John Asprey, the chairman, said that he and close family members together with related trusts owned more than 46 per cent of the company's equity and did not intend to accept the offer, worth £28.50 cash per share.

Commenting that maintenance of Asprey's as a family company was vital to its continuity and development, he said he and his close family would take whatever steps were necessary to achieve this.

But he said that with a group of this size, it was possible to combine family control with significant outside interests. While not elaborating, he said a number of Asprey's policies, including those on dividends and board representation, would be reviewed.

Dunhill, which is making the bid together with the Altabair family through the newly-formed Dunhill-Loggia company, would not comment yesterday on Mr. Asprey's letter to shareholders.

This stated that turnover and net profits would be around 10 per cent lower in the year to March 31 just ended, with a greater fall at the pre-tax level. But he added that, given a period of stability, the group could resume its growth trend. In 1978-79, sales were slightly down at £15.7m, with pre-tax also lower at £2.8m. Net profits dropped from £2.2m to £1.8m.

A revaluation of Asprey's properties would lift net assets from the £9.3m shown in the last accounts to £15.7m, he said, with a further rise to £16.5m if estimated retained earnings for 1980 were also taken into account. This was equivalent to over £41 a share, or 45 per cent above the bid.

## TRUSTHOUSE FORTE BUYS TWO HOTELS

Trusthouse Forte has agreed terms for the purchase of

Bowater Hotels, which owns the four star Compleat Angler Hotel at Marlow, Buckinghamshire, and the Lambert Arms Hotel at Astor Rowant, Oxfordshire.

## Wagon Indl. £2.6m French acquisition

In a deal worth some £2.63m cash, Wagon Industrial Holdings, the engineering and office furniture group, has agreed to acquire Vinco, a French manufacturer of office furniture based in Dieppe.

In 1979 Vinco's turnover amounted to FF142m (£15.9m) and profit before tax was FF8.41m (£941,000). Net assets at that date amounted to some FF25.87m (£2.86m).

WII believes that the acquisition of Vinco will contribute to growth and that considerable opportunity for profitable expansion of its business exists within the enlarged group.

Completion will take place as soon as the consent of the French Ministry of Economy is received which is expected by September 1980. WII intends to finance the consideration wholly from its existing resources.

WII is being advised by Morgan Grenfell and Vinco by Banque Occidentale pour l'Industrie et le Commerce.

## KELLOCK HLDGS. RECONSTRUCTION

Kellock Holdings, a debt factoring company, is proposing a reconstruction of its capital under which a new holding company, Kellock Trust, will make an offer for the existing capital.

Under a scheme of arrangement all the securities in KH will be cancelled in return for cash unless holders elect to receive KT shares.

The terms are:— for each KH

11 per cent redeemable preference share, 90p in cash or one new 12½ per cent preference share in KT; for every 20 KH ordinary, and for every 20 units of 10p of convertible irredeemable subordinated variable rate loan stock, £18 or 17 variable rate convertible preference shares of 40p each and 3 ordinary 40p shares in KT.

In addition, KT plans to issue, at par, a further 500,000 12½ per cent preference shares for cash to a number of institutional investors. Following all the transactions the capital of KT will be £1.87m.

The directors are forecasting profits, before tax, up from £150,015 to not less than £300,000 for 1980.

## PROV. LAUNDRIES —PURCHASE AND DIVIDEND BOOST

Provincial Laundries has agreed to buy Coleman Milne, motor vehicle adaptation specialist, for £252,500. Also Provincial is proposing a one-for-two scrip issue and plans, subject to the purchase being completed, to at least double the 1980 net dividend to 1.16p on the increased capital.

The deal, which requires shareholders approval, is basically for cash but Mr. R. S. C. Milne, the principal shareholder of Coleman can opt for £99,000 to be satisfied by 275,000 ordinary shares adjusted, if appropriate, to take account of the scrip. Mr. Milne would enter a four year service agreement as chief executive and other directors would continue in office.

For the half year to January 31, 1980, Milne produced pre-tax profits of £151,900 on £1.98m sales and, at half-time, had net tangible assets of £0.63m.

Provincial, meanwhile, is proposing to increase its own authorised capital and to change its name to Provincial Ltd and alter its objects to more closely reflect its growing role as a holding company.

## Unigate offers Clifford's more

Unigate came back with a higher bid worth £17.7m for Clifford's Dairies yesterday, but again faced strong resistance from the family-controlled concern.

The board of the Berkshire-based company described the increased terms as "an opportunistic attempt to seize control of Clifford's on the cheap which must be strenuously resisted."

Clifford's voting shares soared by 85p to 185p yesterday on the improved terms.

This time, Unigate, which already owns 4.7 per cent of Clifford's voting shares and 5.06 per cent of the "A" non-voting shares—the latter gained 10p to 99p—is offering 200p cash per voting share instead of the previous 120p.

Alternatively, it is putting up three of its own shares for two of Clifford's. The new cash offer values the voting shares at £3.5m. For the "A" shares, it is again offering 108p cash each; the alternative is nine Unigate for 10 of Clifford's shares.

If the bid goes through, Unigate, whose shares eased 10p to 114p, will be paying out some of the £87m it received from the Milk Marketing Board for the sale of its creameries last year. But the Clifford and Smith families control over 60 per cent of the voting shares and the

board said it will reject the offer for its own substantial holdings. "We have made a sensible offer and we're not going to chase the shares," said Unigate's finance director, Mr. James Cook, when asked if this was the final offer.

## GRAND MET. EGM ADJOURNED

On the recommendation of Mr. Maxwell Joseph, the chairman, Grand Metropolitan members voted yesterday to adjourn, until Friday, May 23, an EGM to consider the company's proposed takeover of the U.S. tobacco and drinks group Liggett.

Mr. John Cussins, managing director of Waring and Gillow, said yesterday that "Waring and Gillow remain doubtful that another bidder will materialise."

For Maple and Co. W and G which is hiding one share plus 312p cash for every 12 Maple shares, said "any serious bidder should put forward proposals by now."

Mr. Waring and Gillow responds follows a statement to the Take-over Panel by Maples that it "had provided information relating to its properties to the potential offeror referred to in its announcement on May 1. To date no proposals have been put forward."

## 30p offer for Christy

Simon and Coates, the stock-broking firm, is offering 30p per share or £800,000 in cash for the Chelmsford-based mechanical engineering group, Christy Bros.

The firm intends to act as a principal to undertake the bid but will, if successful, sell the shares acquired pursuant to the offer to institutional clients. They would be represented by Mr. J. H. Dyer, head of Armstrong Equity, a division who, with his wife, already owns just under 10 per cent of Christy's equity.

The stockbroking firm's other investment clients control a further 8 per cent of Christy and the offer price represents a 30.4

per cent premium to the middle market price of 23p ruling immediately before the bid was announced yesterday.

For ordinary shareholders wishing to realise their holdings immediately, the broking firm intends to stand in the market and purchase Christy shares at up to the offer price—the shares quickly ran up to the offer price yesterday.

comment

Christy has had so many changes of management and so many rumours of bids over the last decade that shareholders can be forgiven some confusion at yesterday's events. They will be only too well aware that profits have so far failed to respond to yet another change of direction and that assets of £3.9m in the last balance sheet comfortably exceed the value of the latest approach. After a near £500,000 cash overflow last year, the group clearly needs a new cash injection, even if profits may well recover in the aftermath of the engineers' dispute and the elimination of old loss-making contracts. Simon and Coates is obviously in the vanguard of the broking fraternity's moves to take events in its own hands and act as principal in this way but for Christy's shareholders, as well as the firm's own image, there is now a clear need to spell out precisely how Christy would be managed, how and under what conditions new capital would be injected and, not least, how ownership would finally be apportioned.

## D. Lancaster in reverse take-over

The owners of tour operator, Club 18-30, have agreed to make a reverse take-over of fading textile company D. M. Lancaster.

An extraordinary meeting of Lancaster shareholders has been called for May 27 to approve the transaction. The company also plans to request that its stock exchange listing, suspended last November when negotiations with Club 18-30 began, be restored.

The deal calls for Rantledge, which owns 65 per cent of 18-30, and Resort Investment Services (Jersey) an associated company which owns the rest, to exchange their 18-30 shares for a combination of cash and new Lancaster shares and loan stock worth £700,000. This would leave the owners of 18-30 with 58.9 per cent of Lancaster shares.

The basic package consists of £165,000 in cash, 5,900,000 new 5p shares and a £245,000 13 per cent unsecured loan note.

The number of shares would increase to give 18-30 owners a maximum of 67.2 per cent of the Lancaster equity if pre-tax profits of Club 18-30 reach £350,000 in the year to end November 30, 1980.

Club 18-30 made a pre-tax profit of £173,818 in 1979 on turnover of £4.7m—Lancaster's figures were £15,000 on a £187,000 respectively.

The Stock Exchange has waived the normal requirement that a general offer be made to all shareholders when more than 30 per cent of the voting rights of a listed company are changing hands.

## ANTONY GIBBS PROFITS FALL AND NO FINAL DIVIDEND

Antony Gibbs, the merchant bank which is being taken over by the Hongkong and Shanghai Banking Corporation, suffered a drop in net profits from £407,000 to £26,000 in the year 1979.

The group was actually in loss of £75,000 before associates' earnings of £111,000 were added. Sir Philip de Zafra, the chairman, says in the offer document that in the light of the results, the board intends to pass the final dividend.

The outcome was due "primarily to a substantial fall in earnings from insurance broking activities, which were adversely affected by the continued rise in the value of the pound against the U.S. dollar, and to further losses by the manufacturing and trading subsidiaries in Australia," says the chairman.

## MINING NEWS

## Reshaped Bond group bid for White Industries

BY KENNETH MARSTON, MINING EDITOR

THE GROUP of companies associated with Western Australian businessman Mr. Alan Bond, yesterday announced an extensive corporate reshuffle which included a takeover bid for control of the New South Wales coal group, White Industries, reports James Forth from Sydney.

Endeavour Resources, in which Bond Corporation already has a 24.6 per cent shareholding—it will increase to about 45 per cent after the reshuffle—has already bought a 43.5 per cent equity in White for A\$45.9m (£2.6m) and is bidding A\$18 a share through a subsidiary, Naria Prospecting, to take it to 51 per cent.

The White camp has consistently claimed, since a spectacular three-day share market contest erupted more than three months ago—that it was battling against the Bond group, tacitly supported by Mr. Kerry Packard's Consolidated Press Holdings.

The White camp which includes the White family, the Japanese Mitsubishi group and a White-associated company, Marceba Mining, claims to control 53 per cent of White's capital which, if correct, would mean that Endeavour cannot succeed.

But Endeavour has taken legal advice and disputes the issue of certain White shares, principally a recent staff issue of 5 per cent of the capital.

It intends to take "immediate action" in the NSW Supreme Court for a declaration that the issue was invalid, which would leave both sides to fight it out for the remaining few per cent.

Endeavour's offer price values White at A\$70 a share, but it is still far short of the peak price of A\$90.50 per share paid on the share market, which valued White at close to A\$300m.

However, Endeavour picked up its 43 per cent stake for A\$45.9m, or an average price of A\$11.19 a share. This includes the 25.3 per cent CPIH stake. It is the first time the Bond group has admitted an interest of more than 5 per cent in White.

As a further element in the reconstruction Endeavour is paying A\$18.23m to acquire Bond Corporation's 30 per cent stake in Bond Mining and Exploration.

This is the vehicle which held the Bond group's assets in the Cooper Basin Gas and Liquids partners, Santos (15 per cent), Reef Oil (67 per cent) and Basin

Oil (31 per cent) but these have already been transferred, principally to Bond Corporation, for a total of A\$85m.

Endeavour will also take a small portion of the Reef stake for A\$8.5m. Endeavour will issue 31m shares at 38.5 cents each, or almost A\$12m, to Bond Corporation for the BME stake which will take its interest to 85 per cent.

Commenting on this group's reshuffle, Mr. Alan Bond, said in London: "All the shares purchased in the transactions announced are being held for long term investment. Bond Corporation intends to play a major part in the development of the oil and gas industry in Australia."

The remaining 5 per cent of BME is held by Leighton Mining, which is also 49 per cent owned by Endeavour. Even if Endeavour were able to thwart the White camp's present position, the Mitsubishi group still has a 40 per cent stake in the company, which is also 49 per cent owned by Endeavour.

It also owns close to 16 per cent of White's capital and has received permission from the Foreign Investment Review Board to increase it to 35 per cent.

Mitsubishi and Bond interests have been persistent buyers on the market, where the White industries share price is hovering around A\$17.50. But Mitsubishi could decide to step up its bidding and lift the market price above Endeavour's stated offer price of A\$18 a share.

## Output falls at Gopeng

Tin concentrate production at Gopeng Consolidated, the Malaysian producer registered in London, fell last month, statistics from the company reveal. But, after seven months of the current financial year, cumulative output at 1,134 tonnes is running fractionally ahead of last year.

The only Australian equity in tin mining projects, Oakley Creek at present is that of MIM Holdings and the latter company is almost 50 per cent owned by America's Asarco. Houston Oil has indicated, however, that it might offer local equity in the operation.

Comparative outputs for the group's mines are detailed in the accompanying table:

|         | April | March | Feb. |
|---------|-------|-------|------|
| Gopeng  | 145   | 181   | 152  |
| Tanama  | 38    | 124   | 71   |
| Idris   | 15    | 18    | 18   |
| Pangkep | 16    | 13    | 12   |

## Oakley Creek's Spanish deal

AMERICA'S Houston Oil and Minerals has agreed to sell a 5 per cent stake in the big Oakley Creek coking coal project in Queensland which, if approved by the Australian Government, would enable the development of a mining operation.

Houston has signed heads of agreement with the Spanish coal company, Empresa Nacional Siderurgica SA (Ensidesa) on the sale of the Oakley equity and for Ensidesa to purchase 800,000 tonnes of coal a year from the venture for at least eight years.

Finalisation of the deal is dependent on relevant government approvals and the formalisation of a sales agreement before June 30.

Ensidesa is the third European steel group to join the Oakley Creek venture. The others are Holland's Esso-Hoogovens and Finland's Outokumpu.

Federal approval would bring the total sales from the project to 1.7m tonnes a year which would allow the joint venture partners to arrange for financing and for the project to proceed to full production.

The government is the only potential hurdle to a go-ahead. It recently rejected a proposed partnership for the CRA group's Blair Athol steaming coal venture on the grounds that it did not meet the requirement of a local equity of 50 per cent for new mining projects.

The only Australian equity in tin mining projects, Oakley Creek at present is that of MIM Holdings and the latter company is almost 50 per cent owned by America's Asarco. Houston Oil has indicated, however, that it might offer local equity in the operation.

## Energy Finance &amp; General Trust Holdings Limited acquires oil interest in Texas

A wholly owned subsidiary, English American Oil and Gas Corporation, has been formed in Texas, USA to participate in oil and gas production, and development and exploration drilling programmes in North America. It has acquired a 9½ per cent working interest in eight leases in Caldwell and Guadalupe counties, Texas. The work programme calls for the reworking of 13 existing oil wells and the drilling of 7 infill or offset wells. The cost of this initial investment is approximately \$155,000 and the results of the rework and drilling should be available by July 1980. The Energy Finance Board consider that English American Oil and Gas Corporation will provide potential for long term dollar based growth in the energy field.

| SPAIN           | Price | ±    |
|-----------------|-------|------|
| May 9           |       |      |
| Banco Bilbao    | 203   | -1   |
| Banco Central   | 206   |      |
| Banco Hispano   | 200   | -1   |
| Banco Ind. Cat. | 122   |      |
| Banco Madrid    | 141   |      |
| Banco Santander | 227   |      |
| Banco Urquijo   | 140   |      |
| Banco Vizcaya   | 280   | -1   |
| Banco Zaragoza  | 200   |      |
| Española Zine   | 62    | -2   |
| Ongardos        | 78    | -3   |
| Espartero       | 58    | -2   |
| Paces           | 58    | -0.2 |
| Gal. Preciados  | 24.5  | -0.5 |
| Industria       | 85    | -0.3 |
| Iberdrola       | 58    | -1   |
| Petrolleos      | 101   |      |
| Petrolbar       | 59    |      |
| Sogefia         | 107   |      |
| Telefonos       | 62    |      |
| Union Elect.    | 647   |      |

This advertisement is issued in compliance with the requirements of the Council of The Stock Exchange.

**Automated Security (Holdings) Ltd**  
(Incorporated in England under the Companies Act 1929)  
No: 321,639

Issue of £3,138,074  
8 per cent Convertible Unsecured Loan Stock 1990/95 at par, converting into new Ordinary Shares of 10p at an effective price of 240p.

The Council of The Stock Exchange has admitted the above Loan Stock to the Official List. Particulars of the Loan Stock are available in the statistical service of Ertel Statistical Services Limited and copies of such particulars may be obtained during normal business hours on any weekday (Saturdays and public holidays excepted) up to and including 17 June 1980 from:

**ENERGY, FINANCE AND GENERAL TRUST LIMITED**  
Dauntsey House, Frederick's Place,  
Old Jewry, London EC2R 8HN.

and from  
**GREENE & CO**  
Finsbury House,  
22 Blomfield Street, London EC2M 7AL.

## Tricentrol

A British international resource exploration and production company with wide ranging commercial activities

Pre-tax profits exceed £21 million  
\* 1980 first quarter profits £11.7 million.

\* Shareholders approve North American share issue.

| Results at a glance—               | 1979    | 1978    | Percentage |
|------------------------------------|---------|---------|------------|
| year ended 31st December 1979      | £000    | £000    | increase   |
| Turnover                           | 209,166 | 142,003 | 47%        |
| Profit before taxation             | 21,271  | 8,006   | 165%       |
| Profit after taxation              | 10,428  | 5,981   | 74%        |
| Reservations                       | 6,655   | 5,320   | 25%        |
| Shareholders' funds                | 63,006  | 31,228  | 102%       |
| Earnings per share:                |         |         |            |
| Basic                              | 21.4p   | 14.9p   | 43%        |
| Fully diluted                      | 20.8p   | 14.1p   | 47%        |
| Dividends per share (net)          | 7.0p    | 1.675p  | 318%       |
| Net assets at book value per share | 116.6p  | 79.1p   | 47%        |
| Cashflow per share (gross)         | 69.9p   | 38.7p   | 79%        |

Copies of the 1979 Report and Accounts are available from the Group Press and Public Relations Department, Tricentrol Limited, Capital House, New Broad Street, London EC2M 4UR.

## SKF

## Notice of Annual General Meeting

Notice is hereby given that the annual general meeting of Aktiebolaget SKF will be held at SKF Kristinedal, Byfogdegatan 2, Göteborg, Sweden, at 3.30 p.m. on Friday 30th May 1980.

## Agenda

Ordinary general meeting business will be transacted in accordance with Swedish law and articles of association.

## Right to attend

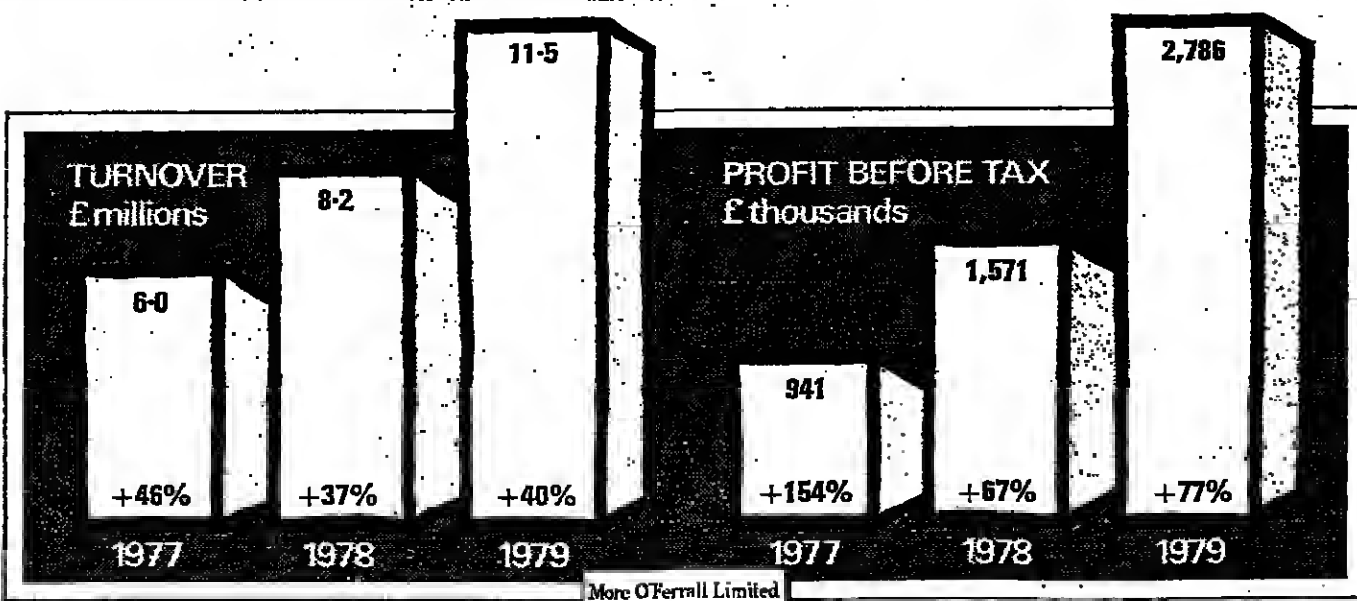
For the right to participate in the meeting, shareholders must write, phone or otherwise notify the board at the address below, before noon on Tuesday 27th May, of their intention to attend, giving details of name, address, telephone and shareholding, and must be recorded in the shareholders register kept by the Securities Register Centre (VPC AB, Box 7444, S-103 91 Stockholm) by Tuesday 20th May.

Shareholders with shareholding registered in banks or other authorized depositaries must temporarily re-register holdings in their own name by Tuesday 20th May to be able to participate in the annual general meeting.

## Payment of dividends

The board will recommend that shareholders with holdings in the VPC AB register records on June 3rd be entitled to receive dividends for 1979. If this date is accepted by the annual general meeting it is expected that the Securities Register Centre will send out notice of payment to recorded shareholders and listed depositaries on 10th June.

Proxy forms are available from  
A/B SKF, S-415 50 Göteborg, Sweden, Tel: (31) 371852/371000



## MORE GROWTH FROM MORE OFERRALL

Profit for the year before tax was £2,786,000 (1978 - £1,571,000), an increase of 77% on a turnover of £11,533,000 (1978 - £8,234,000).

## DIVIDEND

A final dividend of 4.00p per share, making a total dividend for the year of 5.50p per share on the increased capital has been proposed (1978-4p). This is an increase of 83% over the total dividend per share for the year 1978.

## OUTLOOK

It is much more difficult than in earlier years to predict the outcome for the year 1980. However, demand for our products still remains buoyant and we believe that 1980 will still show growth in our Group profits.

More O'Ferrall Limited



## BHS profit up 24.6%

TOTAL SALES, including VAT, of British Home Stores moved ahead 23.8 per cent to £401.2m for 1979, while pre-tax profits rose by 24.6 per cent to a record £41.83m, against £33.58m previously. First-half taxable surplus had increased from £10.43m to £13.21m.

Sales were split between: merchandise £314.93m (£247.19m); food £53.46m (£38.85m); and restaurants £32.81m (£18.16m). The food sales figure reflects the removal of this department from 25 stores in the previous year. On a comparative basis, food sales rose 18 per cent (7.3 per cent actual).

Profits as a percentage to sales are shown unchanged at 10.4 per cent including VAT of £34.91m (£16.57m), but improved from 10.9 per cent to 11.4 per cent excluding the same. There was a turnaround from a £283,000 loss to profit of £10,000 from the 50 per cent owned associate, SavaCentre. Tax takes £11.07m (£10.97m) and net profits were 36 per cent higher at £30.76m. Historic earnings per 25p share advanced from 2.1p to 3.0p and the dividend total is up to 8.75p (7p) net with a final of 5.25p. Extraordinary credits were ahead from £241,000 to £391,000. Dividends cost £3.98m (£7.17m).

## M. Mole runs into loss and omits payment

A second half deficit of £162,204 against £48,697, has left M. Mole and Sons, hand tools, trailers and television equipment group, with a taxable loss of £150,821 for 1979, compared with a £56,053 profit.

And the dividend has been omitted—last year's payment was 0.4125p—loss per 20p share given as 6.55p (2.35p earnings). Turnover was poor, the directors state—down from £1.88m to £1.76m for the year—particularly in the tools division, which incurred substantial losses.

Despite the settlement of the steel strike, the company has exhausted the total stock of specialist steels required in tool manufacture, and coupled with the continued costs of financing a significant level of stocks and work in progress, meant that from March the majority of the labour force in the tools division have been temporarily laid-off.

This will adversely affect the company's performance during the current year, and together with the national economic problems indicates another difficult year ahead, the directors say.

Consolidation costs in the closed-circuit television industry (CCTV) sector left a break-even situation at the year end. And towards the end of the year the trailer division was disposed of. With effect from January 1, 1980, agreement was reached whereby Mole would take over the UK marketing and selling functions for the range of tools. Loss for the year included interest charged of £113,562 (£73,940) but was no tribute to any tax (£4,873). The attributable loss came through at £149,821 against £41,179 profit.

### CARDINAL INV.

Listing has been granted for an additional £13,816 Cardinal Investment Trust deferred

## UNITED OVERSEAS BANK LIMITED

(Incorporated in the Republic of Singapore)

NOTICE TO BONDHOLDERS OF THE US\$30 MILLION 5% PERCENT CONVERTIBLE BONDS 1983

On 28 March 1980, United Overseas Bank Limited ("UOB") announced a Bonus Issue of 19,326,159 new Ordinary Shares of Singapore Dollar One (\$S1.00) each on the basis of One (1) new Ordinary Share of \$S1.00 for every Ten (10) Ordinary Shares of \$S1.00 each held by shareholders shown on the Registers of Members as at 6 May 1980.

Accordingly, the existing conversion price per Ordinary Share, which would be effective on bondholders who may exercise their conversion rights, has been adjusted in accordance with the provisions of Clauses 5 (G) (ii) and 5 (G) (d) of the Trust Deed dated 5 November 1973 from \$S3.45 per Ordinary Share to \$S4.95 per Ordinary Share on 12 May 1980.

CHAN CHEE PEW  
Deputy Secretary  
United Overseas Bank Limited  
Dated this 12th day of May, 1980.

## M. J. H. Nightingale & Co. Limited

27/28 Lovat Lane London EC3R 8EB Telephone 01-421 1212

| 1979-80 | Company | Price                  | Change | Gross | Div  | Yield | P/E  |
|---------|---------|------------------------|--------|-------|------|-------|------|
| High    | Low     |                        |        | (p)   | (p)  | %     |      |
| 30      | 80      | Almington              | 85     | —     | 5.7  | 10.2  | 3.91 |
| 50      | 26      | Armitage and Rhodes    | 31     | —     | 3.8  | 12.3  | 2.01 |
| 275     | 165     | Bardon Hill            | 276    | —     | 13.8 | 5.0   | 6.11 |
| 100     | 80      | County Cars 10.7% p.a. | 99     | —     | 15.3 | —     | —    |
| 101     | 83      | Dabone Ltd.            | 39     | —     | 5.0  | 3.4   | 10.2 |
| 115     | 88      | Frank Horrell          | 115    | —     | 7.8  | 6.9   | 7.1  |
| 125     | 98      | Engelrich Parker       | 101    | —     | 12.8 | 12.7  | 4.81 |
| 156     | 102     | George Blair           | 107    | —     | 16.5 | 16.4  | —    |
| 20      | 45      | Jackson Group          | 68     | —     | 9.2  | 7.5   | 4.11 |
| 153     | 108     | James Burrough         | 108    | —     | 7.2  | 3.7   | 9.5  |
| 200     | 242     | Robert Jenkins         | 225    | —     | 31.3 | 11.0  | 8.11 |
| 232     | 175     | Tudley                 | 221    | —     | 14.3 | 8.4   | 5.81 |
| 24      | 111     | Tynlock Ltd.           | 139    | —     | 0.8  | 6.2   | 2.61 |
| 80      | 70      | Tynlock 12% U.S.       | 88     | —     | 12.0 | 17.4  | —    |
| 56      | 23      | Unilock Holdings       | 48     | —     | 2.6  | 6.4   | 10.2 |
| 200     | 45      | Unilock Holdings New   | 45     | —     | —    | —     | 9.5  |
| 59      | 42      | Walter Alexander       | 33     | —     | 4.4  | 4.7   | 6.2  |
| 200     | 138     | W. S. Yates            | 200    | —     | 12.1 | 3.1   | 3.31 |

\* Figures prepared under provisions of SSAP '75

## Chelmsford Warehouses To Let

20,000/30,000/60,000 sq.ft.

King & Co. 01-236 3000

## More O'Ferrall up £1.2m: 83% dividend lift

WITH THE second half profit continuing the substantial progress—it has advanced from £361,000 to £1.4m—More O'Ferrall has turned in 2.7m for 1979, against 1.57m.

Earnings per share are up from 11.4p to 15.5p, and the dividend is lifted from the equivalent of 3p to 5.5p, with a final of 4p.

The group is engaged in outdoor advertising and ancillary services. In the current year demand remains buoyant and the directors believe there will be growth in profits.

### comment

More O'Ferrall's first-half pre-tax profit increase of 83 per cent compared with an exceptionally depressed period, so little inference should be drawn from the fact that the second six months ostensibly slowed down to leave overall growth at 77 per cent. Obviously it will be difficult to sustain this level of expansion but the group is perhaps being somewhat coy about prospects for 1980, particularly as it is already beginning to look space for the early part of next year. Prices, moreover, have had little difficulty so far in keeping pace with inflation.

Admitted, the 50 per cent associate, increased its contribution from £262,000 to over £400,000 and the rate of capital investment is burgeoning. It now seems probable that More O'Ferrall will seek new acquisitions where its expertise can be exploited. As a good cash flow business, its

decision to maintain high dividend cover, despite the 83 per cent rise in the 1979 distribution, is otherwise hard to understand. The p/e on the high tax charge is just 6.3 at 12.5p and the yield is 6.6 per cent which might have attracted a bid had it not been for the control exerted by board and family interests.

## Talks with Crane have ended—TI

SIR BRIAN KELLETT, chairman of Tube Investments, told yesterday's annual meeting that TI was no longer engaged in talks with Crane Packing, the Chicago-based manufacturer of mechanical seals which announced last year that it was looking for a buyer.

Crane, a private company owned by a small number of family shareholders and trusts, was believed to be looking for a price getting on for £100m.

Sir Brian said that TI along with a number of other companies, was interested in acquiring Crane at "a sensible price." The owners of Crane "have failed to meet their expectations of price" and he added that any further moves "depend on the

owners of this company" reconsidering their position.

On prospects for TI the chairman said that 1980 got off to a bad start with the steel strike. Despite this and the generally harsher climate in which manufacturing industry is now operating, he expected pre-tax profits for the first-half of the current year to come close to those of the same 1979 period. The chairman said that TI was able to avert large scale lay-offs or plant closures but operating efficiencies were progressively eroded. And Sir Brian said that the group was still experiencing an aftermath of disruption in schedules and generally diminished confidence by customers.

## Bio-Kil on target with £0.23m

Profits of Bio-Kil Chemicals jumped from £72,000 to £232,000 in the year to March 31, 1980, in line with the directors' forecast of not less than £0.21m, made at the time of the Stock Exchange placing in December. Sales of the company, which manufactures chemical products for the treatment of wood, under the trade name Remtox, advanced from £0.55m to £1.06m. Trading conditions continue to be buoyant in the current year, say the directors.

# THE PEARSON GROUP

## S. PEARSON & SON

### RESULTS FOR 1979

|                                |         |
|--------------------------------|---------|
| Group profit before tax        | £53.7m  |
| Made up as follows             |         |
| Pearson Longman                | £25.7m  |
| Royal Doulton                  | £13.9m  |
| Whitehall Trust                | £1.5m   |
| Midhurst (USA)                 | £5.7m   |
| Madame Tussaud's               | £2.0m   |
| Other Interests                | £1.6m   |
| Head Office                    |         |
| Interest and expenses          | (£6.7m) |
| Attributable profit before tax | £40.3m  |
| Attributable profit after tax  | £26.5m  |
| Earnings per ordinary share    | 38.7p   |
| Dividends per ordinary share   | 10.0p   |
| Turnover                       | £483.8m |

### Extracts from Lord Gibson's statement

I am pleased to report that in the second half of the year under review the Pearson Group more than recovered the ground lost in the first half... total profits for the whole year increased by 4% to £53.7 million, earnings per share rose by 8% to 38.7p... We are, therefore, recommending a final dividend which will increase the net total for 1979 by 25% over 1978. The profits of Pearson Longman and Madame Tussaud's were

both slightly higher. Doulton just missed maintaining its profits, while those of Whitehall Trust increased satisfactorily due to a higher contribution from Lazards. The star performer was Midhurst Corporation (USA) where profits were substantially increased. Despite the sale of half our Ashland Oil holding for nearly £15 million our portfolio investments fell in value by only £6 million to £61 million.

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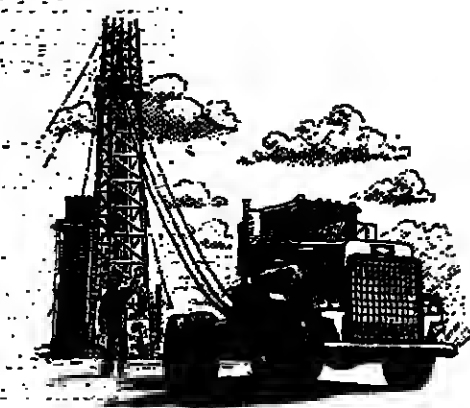
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## Midhurst (USA)

Leading the Group in profits growth for 1979 this company, which was formed in 1956, controls most of Pearson's North American interests. Midhurst's activities include oil and oil-related services and agriculture through its holding in Blackwell Land Company, which grows pistachios, almonds, cotton and grapes.



## Madame Tussaud's

This world famous London institution continues to prosper despite a decline in tourism. Established here in 1835 in Baker Street, the wax exhibition still represents the major part of its activity. The Planetarium & Lazerium, Warwick Castle, Chessington Zoo and Wokey Hole Caves and Mill all contribute to the continuing success of Madame Tussaud's.



## Other Interests

Chateau Latour, Millrayne Holdings and the West Thimrock Estate comprise the other main interests of the Pearson Group. Chateau Latour enjoyed an abundant harvest in 1979 and sales of previous vintages went for excellent prices. Both Millrayne and the West Thimrock Estate represent important interests in property and make a useful contribution to the Group's overall profits.



## U.S. OIL COMPANIES

# Cavenham bid illegal, Diamond claims

chairman of a private  
Machell's last year  
a similar move, and  
it failed to bid gather  
ing of 30 per cent of  
ing stock.

the efforts to force a  
SCM lies the belief  
that the company's  
performance in recent  
years reflects the poor  
choice of one or two key  
and that if the com-  
pany is to be broken up and  
sold, the value of its share-  
investment would rise

sona SCM, which owns  
the typewriter and  
pliers, foods chemicals  
and paper, earned

\$47.6m after tax on sales of  
\$1.1bn. This compared with  
\$37.6m on sales of \$1.5bn a year  
earlier.

The shares are selling at only  
around four times earnings with  
the price currently around \$24  
per share.

Analysts suggest that SCM's  
main problem areas are its food  
and chemicals operations reflecting  
a glut of titanium dioxide, a  
key product for the company,  
and of vegetable oil.

SCM is also threatened  
proxy challenge by Mr. Rockwell.  
SCM has said it will resist such  
a move. There is some speculation  
on Wall Street that the  
company might seek an agreed  
takeover. It is feared that Mr.  
Rockwell's moves were making  
progress.

**THE WAR OF WORDS** between Sir James Goldsmith's Cavenham group and Diamond International, the New York-based Forest Products Company, was stepped up yesterday in advance of Diamond's annual meeting tomorrow.

Mr. William Keslo, president of Diamond, dismissed the terms of a \$202m offer by Cavenham to buy 35 per cent of Diamond as illegal and against the long-range goals of the company.

But Mr. Keslo also urged shareholders not to act hastily on the Cavenham offer, pending further

496.5bn to 487.3bn for the four-year term. Weissman said that the market share growth generated slightly so far this year.

At the time of the merger, where PM's Miller similarly outperformed competitors with a market share gain from 6.6 per cent in 1975 to 21.5 per cent in 1979, Mr. Weissman numbers the less successful "Anheuser-Busch, which has started playtime and become very important in marketing terms."

PM is projecting a market share gain of 3 to 3.1 per cent in 1980, S. brewing industry, says. "We expect per increases in the near future for Miller itself."

PM's third major production area is soft drinks, where it acquired Seven-Up in 1978. Mr. Weissman does not go along with the traditional view that Americans are cola-drinkers, seeing large geographical variations in Seven-Up's market share.

Seven-Up, however, will develop its own cola—"I see room for three," says Mr. Weissman.

Philip Morris has now registered 26 years of growth with earnings per share up from \$1.81 to \$4.08 over the past four years. But this is not reflected in PM's stock market rating, which the New York Times has fallen from 25 at the end of 1972 to 8 last December 31.

Cavenham disclosed the terms of its offer late on Friday, offering \$45 a share on condition that Diamond shareholders either reject or postpone their decision on the Brooks Seanol deal in such a way that Cavenham is able to use its extra voting power from its new share acquisitions in the postponed vote.

third quarter St. Joe earned \$20.8m or \$2.34 a share and sales of \$100.4m. Earnings for that earnings for the third quarter should "at least be about the same as the last year's pre-tax results of \$4.64 a share."

St. Joe's earnings per share and lower lead volume are expected to continue through the second quarter following a second quarter fold-share decline in the automotive industry.

Lead earnings will be lower in 1980 than the \$140m pre-tax operating profit last year, he said.

Annual earnings should rise above \$1 per share in the year following the planned formation of a previously-announced joint coal venture with Royal Dutch/Shell Group.

Reuter

BY DAVID LASCELLES IN NEW YORK

Occidental Petroleum, which reaped a \$120m profit simply by playing the recent surge in the silver market.

To start with the most predictable: the conspicuous leaders in the earnings league were the four members of the Aramco consortium, Exxon, Mobil, Texaco and Chevron (Standard Oil of California), who obtain a substantial part of their oil below world prices from Saudi Arabia. Although world prices have levelled this year, this so-called "Aramco advantage" must still have been worth some \$5 a barrel.

under pressure before the U.S. government took a number of steps to permit refiners to pass on a greater proportion of their costs.

Most striking in this regard was Exxon, which turned a large 1974 fourth quarter loss on refining into a net loss on marketing of \$38m. Exxon claims to have kept its prices slightly below market to reflect the Aramco advantage, a move which probably brought it an enlarged market share.

But many companies reported declines in volume sales because of the response of con-

|                    | Earnings<br>Increase % | Comment                                  |
|--------------------|------------------------|--|
| Exxon              | 102                    | Aramco advantage, foreign exchange gains |
| Mobil              | 105                    | Aramco, foreign earnings up sharply      |
| Texaco             | 98                     | Aramco, higher product prices            |
| Chevron            | 83                     | Aramco                                   |
| Gulf               | 56                     | Higher prices                            |
| Aramco             | 65                     | Strong foreign oil, chemicals, minerals  |
| Atlantic Richfield | 76                     | Alaska                                   |
| Shell Oil          | 67                     | Higher oil production and prices         |
| Conoco             | 103                    | Higher margins and North Sea output      |
| Sohio              | 169                    | Alaska                                   |

In the event, they erred on the side of caution. Profits sagged amid across a broad front, and many of the expected negative factors were weaker than expected. This sent Wall Street hurrying back to its files to find out why.

The general conclusion is that while the oil market turned out to be somewhat stronger than expected, a number of unpredictable and often rather freakish factors combined to swell the oil industry's earnings.

The classic example was

### By Our Euromarkets Staff

**STRAIGHT DOLLAR** Eurobonds showed little overall movement on balance yesterday as trading thinned ahead of the meeting of the Association of International Bond Dealers in New York later this week. Gains of up to  $\frac{1}{2}$  point were recorded in early trading but there was no follow-through.

Tended to do better outside the U.S., where prices are freer than they did at home where the complex oil price control structure is still being dismantled.

For instance Amoco (Standard International) made a point in its earnings statement of stressing that foreign petroleum, and worldwide chemical and mineral earnings accounted for 88 per cent of the quarterly earnings gain. Domestic petroleum had a 10 per cent increase, while chemicals rose 20 per cent. Such explanations have become a routine part of the oil companies' attempts to placate the inflation-harassed U.S. consumer.

However, there are a number of companies also reporting improved results in their domestic refining and marketing activities, an area that was

rising petrol prices. Shell Oil, the country's largest gasoline retailer, reported that its sales of refined products had fallen by 20 per cent to 888,000 barrels a day.

The overall strength of the quarter's earnings also reflected the fact that Congress delayed by two months the introduction of the windfall profits tax because of delays in putting the legislation together. The tax (which will cream off approximately 10 per cent of the profits attributable to the decontrol of U.S. oil prices in the 1960's), only came into effect in March, and thus applied to just one month of the quarter. Assessments of its impact varied. At Arto it reduced earnings to \$31m (on total \$389m) from \$43m (on \$426m), and at Amoco by \$34m (on

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices published on the second Monday of each month. Closing prices on May 1:

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| treasury 3% 89 | 50 | 30 | 34 | +34 | +0.4 | 5.90 |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  | </ |
|----------------|----|----|----|-----|------|------|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|--|----|

## AMERICAN QUARTERLIES

|                                     |       |       |
|-------------------------------------|-------|-------|
| <b>AMERADA HESS</b>                 |       | 1980  |
| First quarter                       |       | S     |
| Revenue                             | ..... | 2.33  |
| Net profits                         | ..... | 198.5 |
| Net per share                       | ..... | 4     |
| <b>BALTIMORE GAS &amp; ELECTRIC</b> |       | 1980  |
| First quarter                       |       | S     |
| Revenue                             | ..... | 316.8 |
| Net profits                         | ..... | 29.36 |
| Net per share                       | ..... | 0.    |
| <b>CHICAGO PNEUMATIC TOOL</b>       |       | 1980  |

|                        |       |
|------------------------|-------|
| First quarter          | \$    |
| Revenue .....          | 123.0 |
| Net profits .....      | 5.12  |
| Net per share .....    | 1.    |
| <b>CLARK EQUIPMENT</b> |       |
|                        | 1980  |
| First quarter          | \$    |
| Revenue .....          | 480.7 |
| Net profits .....      | 20.81 |
| Net per share .....    | 1.    |
| <b>CNA FINANCIAL</b>   |       |
|                        | 1980  |
| First quarter          | \$    |
| Net profits .....      | 33.7  |
| Net per share .....    | 0.    |

|                         |       |      |
|-------------------------|-------|------|
| COCA-COLA               |       | 1980 |
| First quarter           |       | \$   |
| Revenue .....           | 1,241 |      |
| Net profits .....       | 92.1  |      |
| Net per share .....     | 0.    |      |
| CONNECTICUT GENERAL INS |       | 1980 |
| First quarter           |       | \$   |
| Net profits .....       | 47.01 |      |
| Net per share .....     | 1.    |      |
| DOLPH CDORS             |       |      |

|                         |        |
|-------------------------|--------|
| First quarter           | 1980   |
| Revenue .....           | \$     |
| Net profits .....       | 178.4  |
| Net per share .....     | 12.57  |
| Net per share .....     | 0.3    |
| <b>EMERSON ELECTRIC</b> |        |
| Second quarter          | 1980   |
| Revenue .....           | \$     |
| Net profits .....       | 780.1  |
| Net per share .....     | 80.19  |
| Net per share .....     | 1.5    |
| Six months              |        |
| Revenue .....           | 1.6    |
| Net profits .....       | 113.68 |
| Net per share .....     | 1.8    |

[illegible]

|      |                          |     |     |      |     |     |     |     |
|------|--------------------------|-----|-----|------|-----|-----|-----|-----|
| 96   | Australia 31, 83         | 250 | 532 | 303  | +0% | +0% | +0% | +0% |
| 95   | Sargen, City of 41, 91   | 40  | 94  | 91%  | +0% | +0% | +0% | +0% |
| 5    | 4m                       | 105 | 89  | 87%  | +0% | +0% | +0% | +0% |
| 06   | 1.02                     | 100 | 88  | 87%  | +0% | +0% | +0% | +0% |
|      |                          |     |     |      |     |     |     |     |
|      | BMW Overseas 41, 83      | 100 | 82  | 82%  | +0% | +0% | +0% | +0% |
|      | Calase Nar, Tale, 31, 89 | 100 | 82  | 82%  | +0% | +0% | +0% | +0% |
|      | CDC 31, 83               | 100 | 82  | 82%  | +0% | +0% | +0% | +0% |
|      | Copenhagen 41, 83        | 100 | 82  | 82%  | +0% | +0% | +0% | +0% |
|      | Council of Eur. 5, 89    | 100 | 82  | 82%  | +0% | +0% | +0% | +0% |
| 1979 |                          | 100 | 82  | 82%  | +0% | +0% | +0% | +0% |
| 5    | 2.13m                    | 100 | 82  | 82%  | +0% | +0% | +0% | +0% |
| 61   | 28.19                    | 100 | 82  | 82%  | +0% | +0% | +0% | +0% |
|      |                          |     |     |      |     |     |     |     |
|      | E18 41, 94               | 100 | 82  | 82%  | +0% | +0% | +0% | +0% |
|      | Elet of France 41, 89    | 100 | 82  | 82%  | +0% | +0% | +0% | +0% |
|      | Hitl 41, 83              | 100 | 82  | 82%  | +0% | +0% | +0% | +0% |
|      | Intl. Amer. Dev. 41, 89  | 100 | 82  | 82%  | +0% | +0% | +0% | +0% |
|      | National Tels. 41, 80    | 50  | 100 | 100% | +0% | +0% | +0% | +0% |
|      | Nippon Tel. & T. 41, 89  | 100 | 82  | 82%  | +0% | +0% | +0% | +0% |
| 05   | 36.23                    | 100 | 82  | 82%  | +0% | +0% | +0% | +0% |
|      |                          |     |     |      |     |     |     |     |
|      | Nippon Tel. & T. 41, 89  | 100 | 82  | 82%  | +0% | +0% | +0% | +0% |

[illegible]

|         |  |                            |                      |
|---------|--|----------------------------|----------------------|
| 1979    |  | Average price changes..... | On day 0 On week +2% |
| \$      |  |                            |                      |
| 148.26  |  |                            |                      |
| 11.25   |  |                            |                      |
| .32     |  |                            |                      |
| 1979    |  |                            |                      |
| \$56.1m |  |                            |                      |
| \$1.7m  |  |                            |                      |
| 1.28    |  |                            |                      |
| 87.5m   |  |                            |                      |
| 1.65    |  |                            |                      |

|    |                       |     |    |    |      |       |       |
|----|-----------------------|-----|----|----|------|-------|-------|
| 22 | Co-operative Bk. 65   | 97  | 96 | 35 | 15/5 | 16.00 | 15.41 |
| 23 | Creditreform Bk. 91   | 340 | 97 | 96 | 35   | 14/5  | 16.00 |
| 24 | Crédit Japonais 65    | 97  | 96 | 35 | 14/5 | 16.00 | 15.41 |
| 25 | G25 Bk. 85            | 97  | 96 | 35 | 14/5 | 16.00 | 15.41 |
| 26 | Japobanka 85          | 97  | 96 | 35 | 14/5 | 16.00 | 15.41 |
| 27 | LCB Japan 65          | 97  | 96 | 35 | 14/5 | 16.00 | 15.41 |
| 28 | LCB Japan 75          | 97  | 96 | 35 | 14/5 | 16.00 | 15.41 |
| 29 | LCB Japan 85          | 97  | 96 | 35 | 14/5 | 16.00 | 15.41 |
| 30 | LCB Japan 95          | 97  | 96 | 35 | 14/5 | 16.00 | 15.41 |
| 31 | Midland Int. Fin. 85  | 97  | 96 | 35 | 14/5 | 16.00 | 15.41 |
| 32 | National Fin. 85      | 97  | 96 | 35 | 14/5 | 16.00 | 15.41 |
| 33 | Nat. West. S. 84      | 97  | 96 | 35 | 14/5 | 16.00 | 15.41 |
| 34 | Nippon Credit Bk. 87  | 97  | 96 | 35 | 14/5 | 16.00 | 15.41 |
| 35 | Nippon Credit Bk. 87  | 97  | 96 | 35 | 14/5 | 16.00 | 15.41 |
| 36 | Royal Bk. Scot. S. 84 | 97  | 96 | 35 | 14/5 | 16.00 | 15.41 |
| 37 | Royal Bk. Scot. S. 84 | 97  | 96 | 35 | 14/5 | 16.00 | 15.41 |
| 38 | Sagami Bk. 85         | 97  | 96 | 35 | 14/5 | 16.00 | 15.41 |
| 39 | Sagami Bk. 85         | 97  | 96 | 35 | 14/5 | 16.00 | 15.41 |
| 40 | Standard Chart. S. 90 | 97  | 96 | 35 | 14/5 | 16.00 | 15.41 |
| 41 | TWO Pwr. 31 85        | 97  | 96 | 35 | 14/5 | 16.00 | 15.41 |
| 42 | Williams & Glyn S. 81 | 97  | 96 | 35 | 14/5 | 16.00 | 15.41 |
| 43 | Bq. 85                | 97  | 96 | 35 | 14/5 | 16.00 | 15.41 |
| 44 | Art. 85               | 97  | 96 | 35 | 14/5 | 16.00 | 15.41 |

|    | CONVERTIBLE BONDS                 | Crv. price | Crv. price | Std Offer | Chg. from | Frnt   |
|----|-----------------------------------|------------|------------|-----------|-----------|--------|
| 94 | AGA Int'l <sup>1</sup> 101/16 7/4 | 89.10      | 109.19     | 145 1119  | 129       | -1     |
| 94 | Allmonco 7/4 85                   | 2/80       | 81         | 120       | 1+1       | -2.32  |
| 94 | Alstom Int'l 7/4 85               | 2/80       | 81         | 120       | 1+1       | -2.32  |
| 94 | Azathi 8/24 7/4                   | 11/79      | 605        | 127       | 96        | 33.45  |
| 94 | Canal Br 84                       | 8/79       | 570        | 104       | 105       | 0+0    |
| 94 | Chemical 11/5 7/4                 | 10/79      | 1071       | 127       | 7+1       | 8.88   |
| 94 | Credit Suisse 4 1/4 7/4           | 10/79      | 1029       | 100       | 100       | 0+0    |
| 94 | Dair Int'l 8 1/4 84               | 11/79      | 1020       | 96        | 97+       | 28.78  |
| 94 | Enersys 11/5 7/4                  | 10/79      | 1029       | 100       | 100       | 0+0    |
| 94 | Enersys Fin. 8 1/4 84             | 11/79      | 1020       | 96        | 97+       | 28.78  |
| 94 | LPC International 8 1/4           | 9/79       | 23.23      | 1194      | 365+      | -12.92 |
| 94 | Marathon 11/5 7/4                 | 10/79      | 1029       | 100       | 100       | 0+0    |
| 94 | Mitsubishi Cr. 6 1/4 84           | 11/79      | 210        | 1195      | 107+      | 11.46  |
| 94 | Nippon Sanko 7/4 84               | 11/79      | 210        | 1195      | 107+      | 11.46  |

|                   |    |       |       |       |      |     |     |       |
|-------------------|----|-------|-------|-------|------|-----|-----|-------|
| Rubber Co., Inc.  | 84 | ..... | 7179  | 736   | 176% | -7  | -0% | 0.83  |
| Union Carb. Corp. | 74 | ..... | 7179  | 799   | 97   | 38  | +0% | -1.69 |
| Fujitsu Ltd.      | 58 | ..... | 2780  | 326   | 35%  | 85% | +   | 2.82  |
| Konami Elec.      | 84 | DM    | ..... | 735   | 36%  | 35% | +0% | 5.85  |
| Fujiata S. Co.    | 84 | DM    | ..... | 723   | 36%  | 35% | +0% | 46.87 |
| Tokyo Ld. Co.     | 88 | DM    | ..... | 7479  | 483  | 77% | 38% | +0%   |
| Uny Co.           | 82 | 86 DM | ..... | 11779 | 1071 | 92% | 92% | +0%   |

\* No information available—previous day's price.  
† Only one market maker supplied a price.


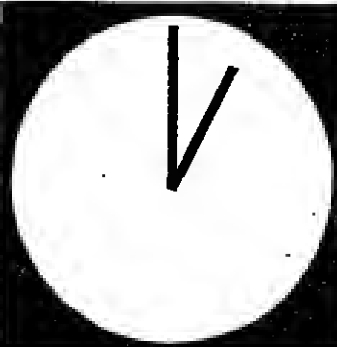
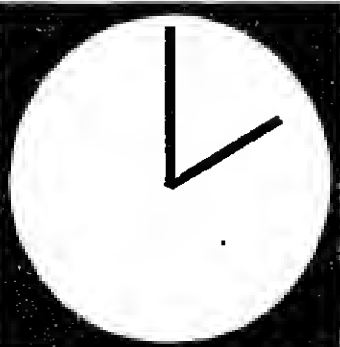
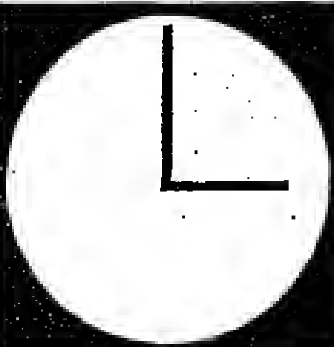
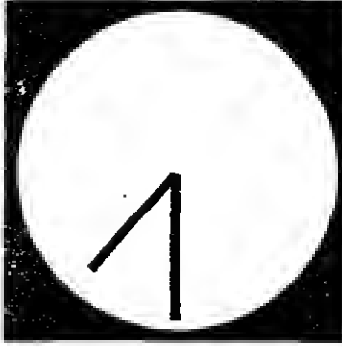
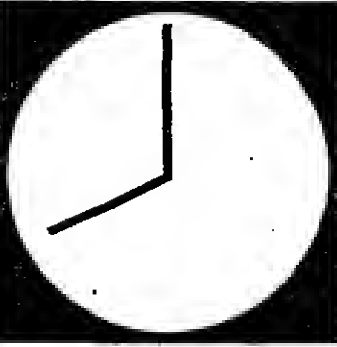
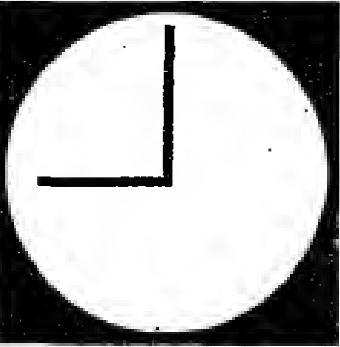


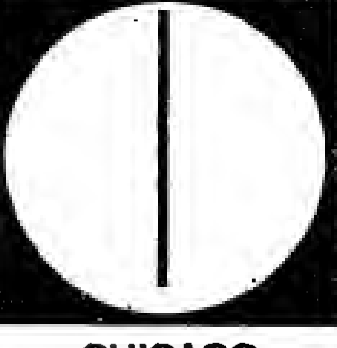
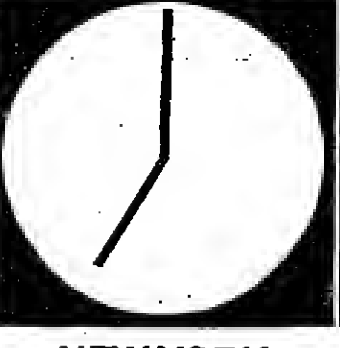
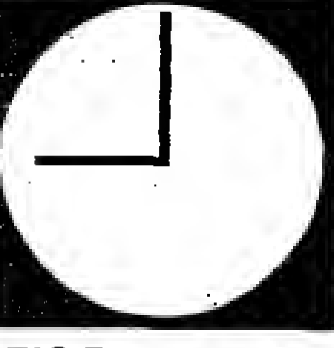
**Straight Bonds:** The yield to the yield to redemption of the mid-price of the issues listed is in millions of currency units except for Yen bonds where it is in billions.

Change on week = Change on month

**Floating Rate Notes:** Denominated in dollars unless otherwise indicated. Coupon based on minimum,  $C_{min}$  = Data coupon incomes effective. Spread = Margin above the 6-month offered rate (if three month 1/2 above mean rate) for U.S. dollars.  $C_{curr}$  = The current coupon.

**Convertible Bonds:** Denominated in dollars unless otherwise indicated. Chg. due change on conv. day.  $P_{off}$  = Offer price for conversion into shares.  $C_{off}$  = Current coupon of shares.  $C_{bond}$  = The rate fixed at issue.  $P_{prem}$  = Percentage premium the bond over the current offering price of the shares.

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|  |  |  |  |
| SINGAPORE   | HONG KONG   | TOKYO   | SYDNEY   |
|  |  |  |  |
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Companies  
and Markets

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has acquired

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The undersigned acted as financial advisor to  
Tenneco Inc. in this transaction.MORGAN STANLEY & CO.  
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May 2, 1980

Strong  
recovery  
at Conti  
Gummi

By Roger Boyes in Bonn

CONTINENTAL Gummiwerke, the largest West German tyre maker, has staged a strong recovery after several lean years, pushing up net profits from DM 3.8m in 1978 to DM 10.9m (\$6.06m) last year.

Group profits, including the recently acquired European tyre division of Uniroyal, reached DM 23.1m. The improved earnings will partly be carried forward and partly go towards boosting reserves. It is clear that, for the eighth year running, Conti Gummi has no intention of resuming dividend payouts. Some DM 6.6m of the balance sheet profit of DM 9.3m will go towards the free reserves.

Turnover rose last year by 29 per cent to DM 2.6bn, although much of the increase came from the Uniroyal purchase. A significant contribution to sales and earnings growth, however, was made by the tyre-making sector and the rubber products division.

Tyre sales were especially boosted by demand for domestic spare tyres and for tyres for new cars produced overseas. The group has also benefited from the German motor boom which is now showing signs of cooling off.

But the fundamental world problems which pulled Conti Gummi's profits down from DM 20.2m in 1977 to DM 3.8m in 1978 are still dogging the company. There is, for example, tough competition from imports, a world over-capacity on the tyre market.

First quarter earnings  
and sales surge at BASF

BY KEVIN DONE IN LUDWIGSHOFEN

BASF of West Germany, one of the world's largest chemicals companies, has started 1980 with a continued strong growth in profits and sales, but the first signs are emerging of weakening demand, particularly in the some markets.

BASF, which out-performed its major domestic rivals Hoechst and Bayer last year, increased its sales worldwide in the first quarter by 21 per cent to DM 7.3bn (\$4.03bn) compared with DM 6.1bn in the same period of 1979.

Group pre-tax profits rose by 18.1 per cent to DM 489m compared with DM 414m in the first three months of 1979, and the pre-tax profits of the parent company jumped by 29.3 per cent to DM 256m.

The further improvement in profitability is being maintained because the strong demand means that plants are still running at a high level of capacity. The private interests in the company, chief executive of BASF, warned that in March the volume of domestic sales fell below last year's level.

BASF is still forecasting a growth in group sales this year of some 13 per cent, however, against 20.4 per cent in 1979.

with the parent company, expanding sales by some 10 per cent.

Particularly in the some market, however, the higher value of sales is being sustained by price rises rather than higher volumes. For 1980 as a whole Professor Seefelder said he expected the volume of parent company sales to rise by only 2 per cent with price increases adding an extra 8 per cent.

The dramatic rise in oil prices on its bill for purchased oil and petrochemicals products, the bill would rise by a further DM 500m this year, said Professor Seefelder.

The strong U.S. dollar added in particular to costs in BASF's oil refining activities in the first three months. This year would have operated at a loss in April, but for the sudden weakening of the dollar again since Easter.

The group's performance in the first quarter has been marked particularly by strong demand for agrochemicals and fertilisers and new pesticides markets opening up in the UK and Italy.

BASF is having particular difficulties in implementing

new price increases for plastics materials. Foreign competitors, from the U.S. and elsewhere are offering stiff competition. Business in the U.S. where BASF now has about 1 per cent of the U.S. chemicals market, is still satisfactory.

Sales in North America last year rose by 17.9 per cent to DM 2.9bn and accounted for 11.3 per cent of total group turnover. 66 per cent of group turnover was in member countries of the EEC, where sales rose by 19.3 per cent to DM 17bn, while sales to other European countries rose by 41.8 per cent to DM 2.1bn.

The biggest sales increase by value last year was in plastics, which rose by 37.8 per cent to DM 4.7bn (18.2 per cent of total turnover).

The planned changes to BASF's management structure are still incomplete, but it is clear that the present four product divisions will be split into 8 different sectors. A new division will be formed for Raw Materials and Energy, to emphasise BASF's determination to increase its stake in exploration and development of energy resources, in particular oil and gas.

## Peugeot moves ahead sharply

BY TERRY DODSWORTH IN PARIS

THE DEPENDENCE of the PSA motoring group on the performance of Peugeot, one of its three production arms, was underscored yesterday in figures which showed a 28 per cent rise in profits to FF 793m (\$137.5m) at the French vehicle manufacturer last year.

Peugeot's buoyancy contrasts sharply with the sluggish trend in the figures from Citroën, one of the other parts of the PSA group, which only last week reported a fall in profits during 1979 from FF 597m to FF 203m. The third division in the organisation, Talbot, ran up losses in the region of FF 880m according to preliminary figures.

Peugeot is generally reckoned to be the most conservatively managed of the French motor

manufacturers, and it was mainly due to its financial strength that it emerged as the central force around which the French industry grouped themselves to form PSA.

Its performance last year was only due to a limited extent to the improvement in the French market, which hit record heights last year. Peugeot's sales went up by only 1.3 per cent from 849,000 vehicles compared to 860,000.

By contrast, turnover rose by 15.8 per cent from FF 21.3bn to FF 24.7bn, while profits rose even more strongly from FF 647m to FF 793m.

The company says that this rise was due to two main factors—the lifting of price controls

in France and the renewal of its vehicle range.

The first of these factors has been behind a widespread improvement in industrial profits during the 1979 financial year, as many companies have moved to increase prices which are said to have been artificially restrained in previous years.

Peugeot's introduction of the 306 and 305 models has also given it greater flexibility in its prices while providing the opportunity to sell more high-priced products compared with the previous year. The 305, one of the company's top-of-the-range vehicles, had a particularly good year while the mid-range 305 was being sold for a significantly higher price than the older 304 which it replaces.

## Skanska in \$25m U.S. offer

BY VICTOR KAYETZ IN STOCKHOLM

SKANSKA CEMENT, Sweden's largest construction company, plans to expand its North American operations in a deal with Alpha Portland Industries of the U.S.

It is to offer \$25m for Skanska, a contracting subsidiary of Alpha. The purchase will be implemented jointly with the existing management of Skanska, a company which has an annual turnover of around SKr 800m (\$130m).

Mr. Birger Löwbacken, head of Skanska's foreign operations,

said in Stockholm yesterday that the size of his company's proposed stake in Skanska was still under discussion but would probably be less than 50 per cent. The two companies have worked together on the Washington, D.C. underground and other construction projects.

Alpha is one of the leading producers of cement in the U.S., primarily serving markets in the eastern half of the country. It also produces aggregates and is involved in heavy construction.

Skanska recently brought a 48 per cent stake in another North American construction

firm, Canadian Fruntdation, whose turnover is about the same as that of Skanska. Mr. Löwbacken has taken a seat on the board of the Canadian company.

In his annual report, Skanska forecasts that its earnings in 1980 will exceed the 1979 pre-tax profit of Sk 436m. The expected rise will be due to higher operating earnings abroad, a growing surplus from financial items and improved earnings from administration of real property. Skanska is one of Sweden's biggest private property owners.

Holland America back to  
profit and dividends

BY WILLIAM HALL, SHIPPING CORRESPONDENT

HOLLAND AMERICA Line, the Dutch passenger shipping company that ran into serious financial difficulties in the mid-1970s, has swung back into profit and intends to pay its first dividend since 1972.

Last year the group, which operates primarily out of North America, made a \$7.8m operating profit compared with a \$2.6m loss in 1978. At the level, profits amounted to \$6m in 1979 compared with a \$4.4m loss the previous year. Group turnover rose by 16 per cent and a \$5 per share dividend has been declared.

Holland America, which operates five cruise ships and has a variety of other interests, lost a total of \$18.6m in 1977 and 1978. In 1974 it sold off a large part of its shipping interests to the Swedish Ecotom group for Ffs 240m (120m).

In 1977 the group was reorganised. A holding company was established in the Netherlands Antilles, and a trust company in Bermuda, and the management headquarters was moved to Stamford, Connecticut.

The reorganisation now appears to be paying off. Despite sharply higher fuel costs the cruising operations showed much better results in 1979.

THE U.S. PAPER group Crown Zellerbach has assigned a senior executive to sort out the problems of its loss-making Dutch subsidiary, Van Gelder Papier. Mr. E. A. Mitchell, the president and chief executive of Crown Zellerbach International and a Board member of Crown Zellerbach, has been temporarily placed in charge of the Dutch company, in which it has a 50 per cent stake.

Van Gelder last year announced it would delay the repayment of an outstanding Ff 50m (\$25m) loan to enable it to finance its restructuring programme, prompting criticism in the Netherlands of Crown Zellerbach for not providing financial support.

The company has now solved the technical problems which were hampering production at two new paper-making plants in the Netherlands.

Advance at  
CIT-Alcatel

By Our Paris Staff

CIT-ALCATEL, the telecommunications and electronics subsidiary of the French CGE electrical group, pushed up net profits last year by almost 22 per cent from FF 96m (\$22.3m) to FF 117m.

Although turnover figures have not so far been released, this result was reached after charging depreciation of FF 156m against FF 151m in 1978, and taking into account FF 21m for the sale of assets compared with FF 3.5m.

CIT, which had sales of FF 3.4bn in 1978, has been expanding quickly again this year.

## Horten pays more

Germany's fourth largest department store group Horten reports increased profits for 1979 and plans to lift its dividend, writes our financial staff. Profits last year recovered sharply, rising by around one-third to DM 20m (\$11.05m) from DM 15m in 1978. The dividend is going up to DM 4 a share from DM 3.

## Swedish shipping line sees lower loss

BY OUR STOCKHOLM CORRESPONDENT

BROSTROM, the troubled Swedish shipping group which plans to dispose of Hovellloyd, its UK based ferry company, expects reduced losses for 1980.

In 1979 Brostrom cut its deficit at the pre-tax level to SKr 100m (\$23.6m) from SKr 227m. This year heavy financial charges will continue to offset actual operating profits, but the overall loss will be smaller.

Agreement has been reached with creditors in Holland concerning the Dutch subsidiary Incotrans, which given current forecasts ought to make this company independent of additional support from Sweden. Last month Brostrom handed over to Norway's Wilh.

Wilhelmsen its stake in Seamen, an arrangement by which the two companies had operated joint container and other cargo traffic in the Middle East. Seamen had been losing money since 1978.

During 1979 Brostrom cut its own fleet, excluding marine service vessels and hovercraft, from 34 ships totalling 842,000 DWT to 31 units totalling 615,000 DWT.

Sale of part of Brostrom's share portfolio to help finance investment programmes included disposal of a stake in Sesan Line. This step had "strategic importance" in making possible expanded collaboration with other Swedish shipping interests.

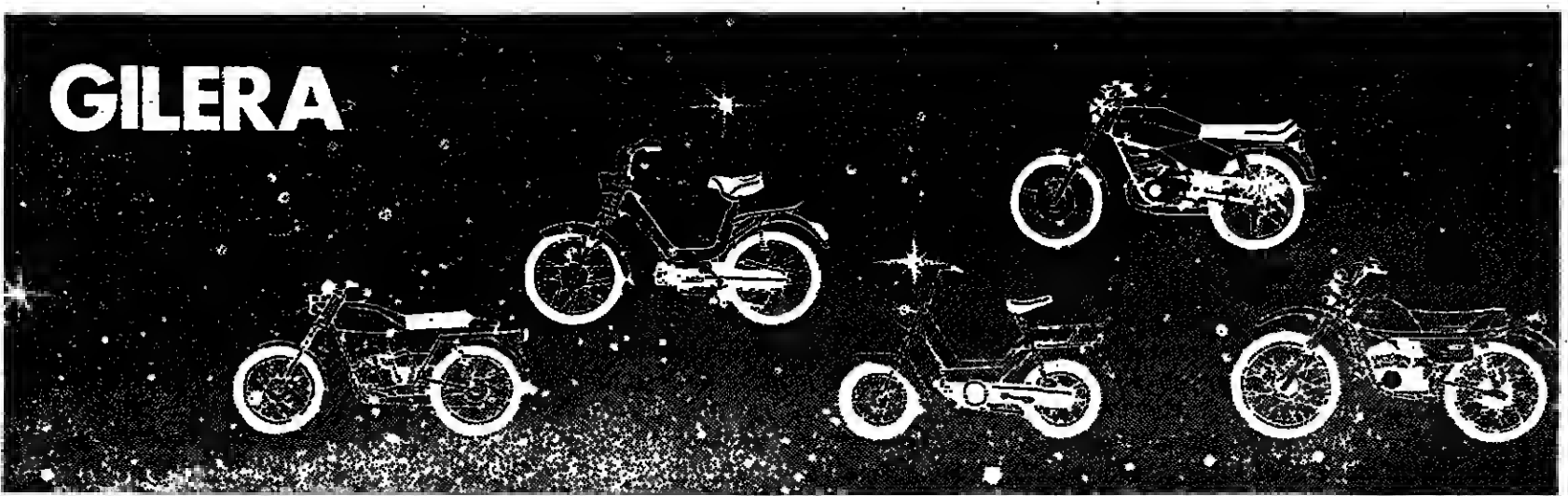
ALFA-LAVAL, the Swedish-based manufacturer of farm, dairy, food processing and industrial equipment, recorded a 42 per cent rise in orders during the first quarter compared with January-March 1979 and a 25 per cent increase in deliveries. Dr. Hans Stahle, managing director, said.

Last month's forecast of higher earnings for 1980 when pre-tax profit stood at SKr 391m (\$93m) on turnover of SKr 3.49bn remains unchanged, he said.

The annual meeting approved the proposed dividend of SKr 6 per share or SKr 50m total and a one-for-one bonus issue adding SKr 104m to the share capital.

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## PIAGGIO TODAY

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super-popular mopeds such as CIAO - BRAVO - BOXER - SI

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Vespa has three plants in Tuscany, Italy (Pontedera, Pisa and Montecatini) and employs more than 12,000 people.

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# British Steel may sell Tubemakers stake to Sumitomo

BY JAMES FORTH IN SYDNEY

THE FOREIGN Investment Review Board and the Australian stock exchanges are likely to agree to the Japanese group Sumitomo purchasing a probable 26 per cent stake in the steel pipe group, Tubemakers of Australia from the British Steel Corporation. Sumitomo Metal Industries and Sumitomo Corporation yesterday told the Tubemakers board that they were negotiating to buy a substantial part of BSC's 28.75 per cent equity. It is understood that Sumitomo Metal is likely to take a 20 per cent interest in Tubemakers. Sumitomo Corporation, which owns 8 per cent of BSC, would own about 34 per cent of the company. Mr. K. Etoh, managing director of Sumitomo Australia, said that a Japanese delegation last week approached the Australian authorities including the FIRB, and the stock exchanges and received "favourable responses". Under stock exchange requirements a takeover bid is triggered once a buyer reaches 30 per cent of a company's capital, but the exchanges can grant a waiver. The requirement for the bid to stand in the market for one month or to extend a full bid might be waived because the major shareholder, Broken Hill Pty, was "not unhappy" and the price was very close to market.

# Gain for NZ Forest Products

MELBOURNE—NZ Forest Products of New Zealand had net profit of NZ\$29.2m (U.S.\$28.35m) for the year ending March 31, up 27.5 per cent from NZ\$22.9m a year earlier. Sales rose 22.6 per cent to NZ\$411.5m (U.S.\$400m) from NZ\$335.5m.

A final dividend of 10 cents gives a full-year payout of 18.5 cents a share against 15.5 cents a year earlier. The company estimates that a strike at its Kineith pulp and paper mills, from January to March this year cut net profit by about NZ\$13m while the sales value of lost production was NZ\$51m. Demand for all products except building materials remains high and the company hopes business will return in the current financial year to pre-strike levels. Reuter

# Advance at Cross Harbour Tunnel

By Philip Bowring in Hong Kong

THE HONG KONG Cross Harbour Tunnel Company had net profit of HK\$ 124.5m (US\$ 25.4m) in the year ended March 31, compared with HK\$ 109.9m the previous year. A final dividend of 30 cents was declared, making a total of 90 cents, an increase of 10 cents. For the current year the company expects to pay three interim dividends of 22.5 cents and a final of not less than that. The major shareholders in the company, the sole activity of which is indicated by its name, are the Hong Kong Government, Hongkong and Shanghai Banking Corporation, Hutchison Whampoa and Wheelock Marden. LIU CHONG Hing Investment Limited, the Hong Kong financial and property investment group, increased net attributable profit for the year ending December 1979 by 31 per cent to HK\$ 46m (US\$ 9.4m).

# SAMURAI BONDS

## Cloud over Brazil issue

BY RICHARD C. HANSON IN TOKYO

AMID the strongest recovery in bond prices seen in Japan in some time, a storm may be brewing over the advisability of allowing Brazil to issue its seventh Samurai bond in Tokyo next month. At the same time, official concern over that country as a credit risk is being conveyed to private banks with large Brazilian loan exposures. The issue came into sharper focus on Friday, when it was learned that most of the high-quality borrowers in the Samurai market, scheduled over the next few weeks, were dropping out. The Asian Development Bank joined New Zealand and Norway in informing underwriters they would not issue as planned. For June this leaves only Brazil and Thailand on the schedule making some market participants unhappy. "If the Finance Ministry tells Japanese bankers they should not increase their loan exposure, then why would it be safe to allow the investing public to buy Brazilian bonds?" queries one banker. There was apparently some thought of turning the Brazilian issue, for Y20bn (equivalent to around \$85m) into a sort of semi-private arrangement. This would have been awkward, however. The authorities consider the problems of bank exposure and the Brazilian bond to be quite separate. They argue that if Brazil resorts to a re-scheduling its debt, bonds would not necessarily be involved. Unspoken, though important, is also the fact that it would be diplomatically problematic to

keep Brazil out of the bond market as some in Tokyo suggest should be done, because of economic ties. The Samurai bond market is being left to those countries which tend to borrow as much as they can regardless of the cost, precisely because those who can afford to wait are waiting for better terms. This is the case for ADB and New Zealand, and a number of others which have contemplated issues later towards the autumn. At present, the schedule for July has only one borrower, the European Investment Bank for Y20bn, and that for August, the World Bank. The reason borrowers feel they may get better terms if they wait is that the Tokyo market has followed the rapid change in interest rates flowing from the sudden shifts in conditions in the U.S. In the earliest part of April, the secondary market yields on Japanese long-term Government bonds were up to around 13 per cent. They have since declined to around 10 per cent, or just about the level of last February. When bond prices were at their lowest, the Government moved in to sop up excess national bonds through a special fund created for that purpose, buying in about Y200-300bn. The major reasons for the present steady tone to the market, however, seems to be some easing of selling pressure on the bond market from the City banks, which absorb a heavy amount of the Government debt.

The banks have not had to sell as much of their bond holdings as they might (at big losses) to fund their lending operations, in part because of a sharp increase in deposits from elsewhere. The most striking increase has been in "free yen" deposits, which are said to have risen the equivalent of more than \$3bn over the past two months to 7.6bn. This reflects the Ministry of Finance defence package, announced on March 2, which allowed Japanese banks to bring in inter-office free yen from overseas, and which freed the interest rates on free yen deposits by foreign central banks and Governments and other official international organisations. More capital is now flowing into Japan than out. The yen defence package itself (helped by the sharp drop in U.S. interest rates) has been successful with a strengthening yen adding to the attraction of investing in Japanese securities. It is not known how long the banks will hold off on selling National bonds, which is part of the reason most observers do not expect the pace of bond interest rate declines to continue. The postponements by borrowers of late indicates that many are betting on at least some further easing of terms. But veterans of the past year are warily looking over their shoulders at the Y13,000bn plus in bonds the Government has to sell this year, and wondering how long the market's improvement will last.

# N.V. GEMEENSCHAPPELIJK BEZIT VAN AANDELEN PHILIPS' GLOEILAMPENFABRIEKEN

(Philips Lamps Holding) Eindhoven, The Netherlands

At the Ordinary General Meeting of Shareholders held on 9th May 1980, a total dividend in cash for the year 1979 has been declared of 1,80 Netherlands Guilders per ordinary share of 10 guilders nominal value. After giving effect to the interim dividend of 0,60 guilders previously declared and payable in December 1979, a final dividend for the year 1979 amounting to 1,20 guilders will become payable as from 22nd May 1980.

Payment of the net amount of this dividend on UK-CF certificates will be made by the company's paying agent, Hill Samuel & Co. Limited, 45 Beech Street, London, EC2P 2LX to the UK-CF depositaries in accordance with their positions in the books of CF Amsterdam on 8th May 1980, at the close of business.

Holders of the UK-CF certificates are reminded that such payment is subject to deduction of 25 per cent Netherlands Withholding Tax. This 25 per cent may, however, be reduced to 15 per cent when payment is made to residents of the United Kingdom or to residents of Australia, Austria, Belgium, Canada, Denmark, Finland, France, Western Germany, Ireland, Japan, Luxembourg, Netherlands Antilles, Norway, South Africa, Spain, Sweden or the United States of America, who deliver through the UK-CF depositary the appropriate Tax Affidavits to the company's agency Hill Samuel & Co. Limited. The Netherlands Withholding Tax may be reduced to 20 per cent when payment is made to residents of Indonesia who deliver the appropriate Tax Affidavit in the above mentioned way. Payment of the net dividend amount of dividend will be made by Hill Samuel & Co. Limited, in sterling at the rate of exchange ruling on 23rd May 1980, unless payment in guilders on an account with a bank in the Netherlands is requested no later than 20th May 1980.

Eindhoven 13th May 1980. The Board of Governors.

# PHILIPS

# Strong increase by Saudi Arabian bank in 1979

BY MARY FRINGS IN SAHRAIN

National Commercial Bank of Saudi Arabia, which has 70 branches in the Kingdom and offices in Beirut, Bahrain, Frankfurt, London and Singapore, has announced a profit of SR 600m (\$180m) for the financial year to November 1979, against SR 300m the previous year. The manager of the Bahrain offshore banking unit, Mr. Murad Ali Murad, says this is almost double the previous year's profit, and attributes the increase to higher loan demand in Saudi Arabia, and to earnings from foreign exchange business. NCB continues to be the largest Arab bank as well as the largest Middle Eastern bank, capital and reserves have been increased from SR 679m to SR 1,141m (\$340m), and the balance sheet total from SR 43bn to SR 44bn (\$13bn). Assets, excluding contra accounts, rose from SR 20bn to SR 26bn (\$7.5bn).

In Bahrain, Mr. Murad says that Saudi National Commercial Bank is growing at a much

faster pace than the market generally. It had established a leading role in Saudi rial deposits and in spot dollar-rial dealings, and had lately been highly active in spot European currencies.

LIU CHONG Hing Investment Limited, the Hong Kong financial and property investment group, increased net attributable profit for the year ending December 1979 by 31 per cent to HK\$ 46m (US\$ 9.4m).

# Ovenstone profits up despite lower sales

BY JIM JONES IN JOHANNESBURG

OVENSTONE INVESTMENTS, the Cape Town based concern which has interests in off-shore fishing, property and construction, increased its pre-tax profit to R3.55m (\$4.3m) in the year to February 19, from R2.84m 14.9m to 49.3m, which was partly responsible for a drop in

earnings per share from 9.42 cents in the 1979 fiscal year to 7.27 cents in fiscal 1980. Total dividends per share were unchanged at 3 cents. The directors report that the improved profits arose from better contributions from fishing and property activities.

structure which resulted in different accounting. However, turnover fell to R27.6m (\$34.5m) from R39.6m. Following a rights issue in August, the number of ordinary shares in issue increased from 14.9m to 49.3m, which was partly responsible for a drop in



# U.S. \$50,000,000 Hapoalim International N.V.

Guaranteed Floating Rate Notes 1984

For the six months 13/5/80 to 13/11/80 The Notes will carry an interest rate of 12 1/4% per annum Coupon Value US\$616.53 Listed on The Stock Exchange, London Agent Bank - National Westminster Bank Limited, London

# Vizcaya International N.V.

\$25,000,000 Guaranteed Floating Rate Notes Due 1981

In accordance with the provisions of the above Notes, West-deutsche Landesbank Girozentrale, as Principal Paying Agent therefor, has established the Rate of Interest on such Notes for the semi-annual period ending 12th November 1980 as Eleven and Three-quarters per cent (11 3/4%) per annum. Interest due on such date will be payable upon surrender of Coupon No. 8.

BANKERS TRUST COMPANY, Fiscal Agent

DATED: 8th May 1980

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# American Hospital Supply Corporation

Our numbers speak louder than words

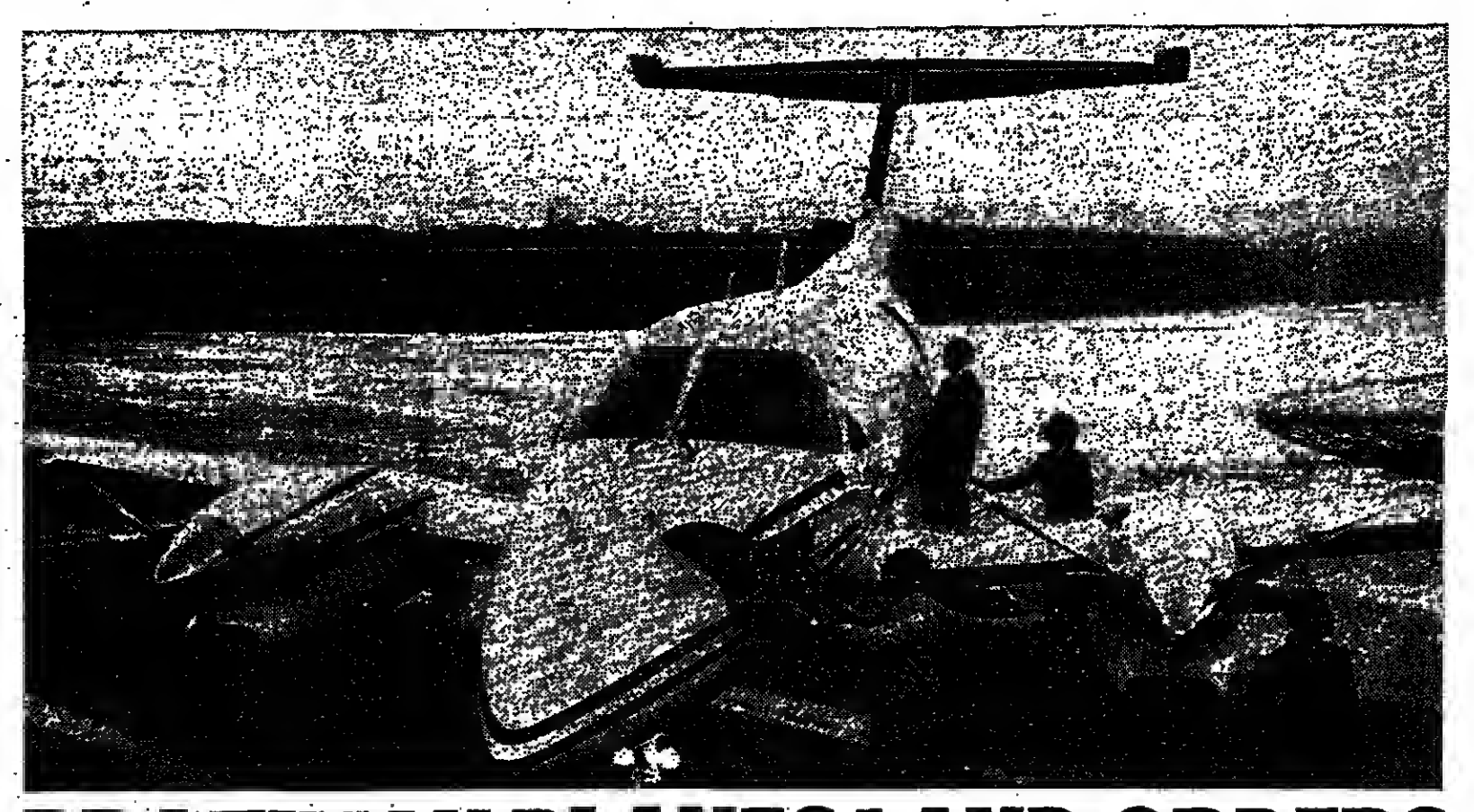
- 2 Billion dollars in annual sales.
- 25 Consecutive years of increased dividend payments.
- 26 Consecutive years of record sales and earnings - 10-year compounded growth of 16 percent.
- 133 Thousand health care products distributed in 17 countries.

Highlights of the quarter ended March 31,

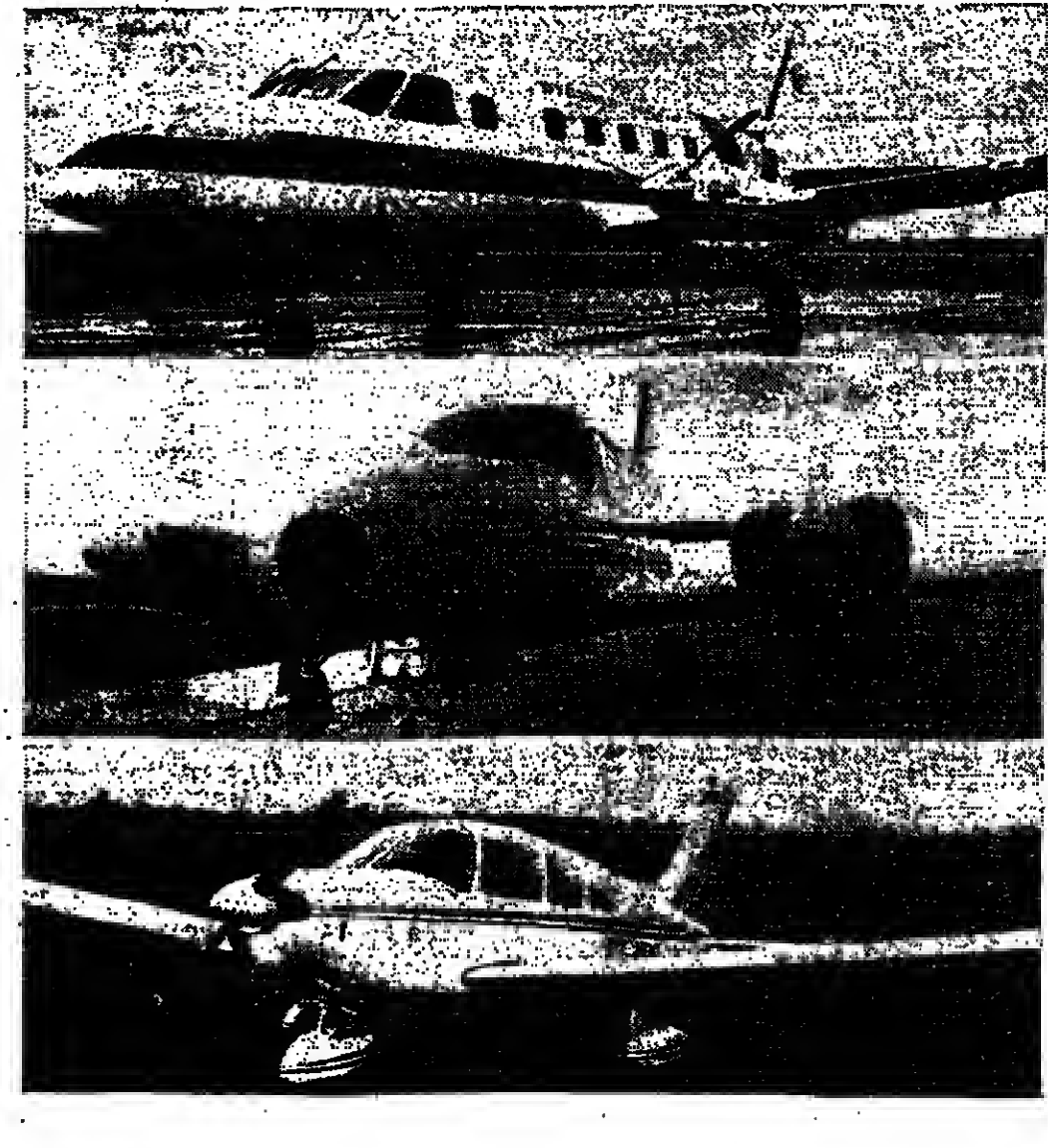
| (\$millions except per share amounts) | 1980     | 1979     | Percent Increase |
|---------------------------------------|----------|----------|------------------|
| Net sales                             | \$ 545.7 | \$ 481.1 | 13%              |
| Net earnings                          | 30.8     | 25.7     | 19               |
| Net earnings per share                | .77      | .65      | 18               |
| Cash dividends per common share       | .23      | .20      | 15               |

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## CURRENCIES, MONEY and GOLD

## WORLD VALUE OF THE POUND

The table below gives the latest available rates of exchange for the pound sterling against the various currencies on May 12, 1980. In some cases rates are nominal. Market rates are the average of buying and selling rates.

except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are related. Abbreviation: (A) approximate rate.

no direct quotation available: (F) free rate; (P) based on 15:15 dollar premium; (C) commercial rate; (S) based on 15:15 dollar premium; (M) member of the sterling area other than the United Kingdom; (T) tourist rate; (B) basic rate; (G) buying rate; (S) selling rate.

| PLACE AND LOCAL UNIT                 | VALUE OF £ STERLING | PLACE AND LOCAL UNIT               | VALUE OF £ STERLING | PLACE AND LOCAL UNIT              | VALUE OF £ STERLING |
|--------------------------------------|---------------------|------------------------------------|---------------------|-----------------------------------|---------------------|
| Afghanistan (Afghani)                | 100.0               | Greenland (Danish Kroner)          | 13.9025             | Peru (Sol)                        | 513.61              |
| Albania (Lek)                        | 10.00               | Ghana (Cedi)                       | 2.50                | Philippines (Peso)                | 16.64               |
| Algeria (Dinar)                      | 8.7800              | Gibraltar (Pound)                  | 1.00                | Pitcairn Islands (Sterling)       | 2.3375              |
| Andorra (French Franc)               | 6.5625              | Guadeloupe (Guinean Franc)         | 2.3375              | Poland (Zloty)                    | 17.9950             |
| Angola (Kwanza)                      | 20.4800             | Guatemala (Quetzal)                | 2.3375              | Portugal (Escudo)                 | 200.48              |
| Antigua (East Caribbean Dollar)      | 6.15                | Honduras (Lempira)                 | 2.3375              | Puerto Rico (Dollar)              | 1.00                |
| Argentina (Peso)                     | 1.3600              | India (Rupee)                      | 11.4600             | Romania (Leu)                     | 16.64               |
| Australia (Dollar)                   | 1.5200              | Indonesia (Rupiah)                 | 1,678.00            | Rwanda (Franc)                    | 200.48              |
| Austria (Schilling)                  | 13.7603             | Iran (Rial)                        | 2.3375              | Saudi Arabia (Riyal)              | 5.00                |
| Azores (Portuguese Escudo)           | 200.48              | Iraq (Dinar)                       | 1.0000              | Senegal (Franc)                   | 200.48              |
| Bahamas (Bahamian Dollar)            | 2.0000              | Israel (Sheqel)                    | 3.4800              | Sierra Leone (Leone)              | 1.00                |
| Bahrain (Dinar)                      | 4.7600              | Italy (Lira)                       | 2.3375              | South Africa (Rand)               | 1.00                |
| Banladesh (Taka)                     | 1.0000              | Jamaica (Jamaican Dollar)          | 1.0000              | Spain (Peseta)                    | 166.64              |
| Barbados (Barbadian Dollar)          | 2.0000              | Japan (Yen)                        | 360.00              | Switzerland (Franc)               | 2.0000              |
| Belgium (Belgian Franc)              | 36.3636             | Jordan (Jordanian Dinar)           | 1.0000              | Taiwan (New Taiwan Dollar)        | 20.0000             |
| Belize (Belize Dollar)               | 2.0000              | Kazakhstan (Tenge)                 | 1.0000              | Thailand (Baht)                   | 50.0000             |
| Bermuda (Bermudian Dollar)           | 1.0000              | Kenya (Kenyan Shilling)            | 1.0000              | Togo (CFA Franc)                  | 1.0000              |
| Bhutan (Bhutanese Ngultrum)          | 1.0000              | Korea (Won)                        | 100.0000            | Tonga (Tongan Pa'anga)            | 1.0000              |
| Bolivia (Bolivian Peso)              | 1.0000              | Kuwait (Kuwaiti Dinar)             | 1.0000              | Trinidad (Trinidad Dollar)        | 1.0000              |
| Bosnia (Bosnian Mark)                | 1.0000              | Laos (Kip)                         | 1.0000              | Tunisia (Dinar)                   | 1.0000              |
| Brazil (Cruzado)                     | 100.00              | Lebanon (Lebanese Pound)           | 1.0000              | Turkey (Lira)                     | 1.0000              |
| British Virgin Islands (U.S. Dollar) | 1.0000              | Libya (Libyan Dinar)               | 1.0000              | Turkmenistan (Manat)              | 1.0000              |
| Brunei (Brunei Dollar)               | 1.0000              | Liechtenstein (Swiss Franc)        | 1.0000              | Uganda (Shilling)                 | 1.0000              |
| Burma (Kyat)                         | 1.0000              | Luxembourg (Luxembourg Franc)      | 1.0000              | United States (Dollar)            | 1.0000              |
| Burundi (Burundian Franc)            | 200.48              | Macau (Pataca)                     | 1.0000              | Uruguay (Peso)                    | 1.0000              |
| Cambodia (Riel)                      | 1.0000              | Madagascar (Malagasy Franc)        | 1.0000              | U.S. Virgin Islands (U.S. Dollar) | 1.0000              |
| Cameroon (CFA Franc)                 | 1.0000              | Malawi (Malawi Shilling)           | 1.0000              | Venezuela (Bolívar)               | 1.0000              |
| Canada (Canadian Dollar)             | 1.0000              | Malaysia (Malaysian Ringgit)       | 1.0000              | Vietnam (Dong)                    | 1.0000              |
| Cape Verde (Cape Verdean Escudo)     | 1.0000              | Maldives (Maldivian Rufiyaa)       | 1.0000              | Yemen (Yemeni Rial)               | 1.0000              |
| Cayman Islands (Cayman Dollar)       | 1.0000              | Mali (Mali Franc)                  | 1.0000              | Yugoslavia (Dinar)                | 1.0000              |
| Chad (CFA Franc)                     | 1.0000              | Malta (Maltese Lira)               | 1.0000              | Zaire (Zaire)                     | 1.0000              |
| Chile (Chilean Peso)                 | 1.0000              | Mauritania (Mauritanian Ouguiya)   | 1.0000              | Zimbabwe (Zimbabwe Dollar)        | 1.0000              |
| China (Renminbi Yuan)                | 1.0000              | Mauritius (Mauritian Rupee)        | 1.0000              |                                   |                     |
| Colombia (Colombian Peso)            | 1.0000              | Mexico (Mexican Peso)              | 1.0000              |                                   |                     |
| Comoros (Comorian Franc)             | 1.0000              | Moldova (Moldovan Leu)             | 1.0000              |                                   |                     |
| Congo (Congo Franc)                  | 1.0000              | Mongolia (Mongolian Tugrik)        | 1.0000              |                                   |                     |
| Costa Rica (Costa Rican Colon)       | 1.0000              | Morocco (Moroccan Dirham)          | 1.0000              |                                   |                     |
| Cuba (Cuban Peso)                    | 1.0000              | Mozambique (Mozambican Escudo)     | 1.0000              |                                   |                     |
| Cyprus (Cyprus Pound)                | 1.0000              | Nauru (Nauruan Dollar)             | 1.0000              |                                   |                     |
| Czechoslovakia (Koruna)              | 1.0000              | Nepal (Nepalese Rupee)             | 1.0000              |                                   |                     |
|                                      |                     | Netherlands (Guilder)              | 1.0000              |                                   |                     |
|                                      |                     | Nicaragua (Cordoba)                | 1.0000              |                                   |                     |
|                                      |                     | Niger (CFA Franc)                  | 1.0000              |                                   |                     |
|                                      |                     | Nigeria (Naira)                    | 1.0000              |                                   |                     |
|                                      |                     | North Macedonia (Macedonian Denar) | 1.0000              |                                   |                     |
|                                      |                     | Norway (Norwegian Krone)           | 1.0000              |                                   |                     |
|                                      |                     | Oman (Omani Rial)                  | 1.0000              |                                   |                     |
|                                      |                     | Pakistan (Pakistani Rupee)         | 1.0000              |                                   |                     |
|                                      |                     | Panama (Balboa)                    | 1.0000              |                                   |                     |
|                                      |                     | Paraguay (Guarani)                 | 1.0000              |                                   |                     |
|                                      |                     | Peru (Sol)                         | 513.61              |                                   |                     |
|                                      |                     | Philippines (Peso)                 | 16.64               |                                   |                     |
|                                      |                     | Pitcairn Islands (Sterling)        | 2.3375              |                                   |                     |
|                                      |                     | Poland (Zloty)                     | 17.9950             |                                   |                     |
|                                      |                     | Portugal (Escudo)                  | 200.48              |                                   |                     |
|                                      |                     | Puerto Rico (Dollar)               | 1.00                |                                   |                     |
|                                      |                     | Romania (Leu)                      | 16.64               |                                   |                     |
|                                      |                     | Rwanda (Franc)                     | 200.48              |                                   |                     |
|                                      |                     | Saudi Arabia (Riyal)               | 5.00                |                                   |                     |
|                                      |                     | Senegal (Franc)                    | 200.48              |                                   |                     |
|                                      |                     | Sierra Leone (Leone)               | 1.00                |                                   |                     |
|                                      |                     | South Africa (Rand)                | 1.00                |                                   |                     |
|                                      |                     | Spain (Peseta)                     | 166.64              |                                   |                     |
|                                      |                     | Switzerland (Franc)                | 2.0000              |                                   |                     |
|                                      |                     | Taiwan (New Taiwan Dollar)         | 20.0000             |                                   |                     |
|                                      |                     | Thailand (Baht)                    | 50.0000             |                                   |                     |
|                                      |                     | Togo (CFA Franc)                   | 1.0000              |                                   |                     |
|                                      |                     | Tonga (Tongan Pa'anga)             | 1.0000              |                                   |                     |
|                                      |                     | Trinidad (Trinidad Dollar)         | 1.0000              |                                   |                     |
|                                      |                     | Tunisia (Dinar)                    | 1.0000              |                                   |                     |
|                                      |                     | Turkey (Lira)                      | 1.0000              |                                   |                     |
|                                      |                     | Turkmenistan (Manat)               | 1.0000              |                                   |                     |
|                                      |                     | Uganda (Shilling)                  | 1.0000              |                                   |                     |
|                                      |                     | United States (Dollar)             | 1.0000              |                                   |                     |
|                                      |                     | Uruguay (Peso)                     | 1.0000              |                                   |                     |
|                                      |                     | U.S. Virgin Islands (U.S. Dollar)  | 1.0000              |                                   |                     |
|                                      |                     | Venezuela (Bolívar)                | 1.0000              |                                   |                     |
|                                      |                     | Vietnam (Dong)                     | 1.0000              |                                   |                     |
|                                      |                     | Yemen (Yemeni Rial)                | 1.0000              |                                   |                     |
|                                      |                     | Yugoslavia (Dinar)                 | 1.0000              |                                   |                     |
|                                      |                     | Zaire (Zaire)                      | 1.0000              |                                   |                     |
|                                      |                     | Zimbabwe (Zimbabwe Dollar)         | 1.0000              |                                   |                     |

\* That part of the French community in Africa formerly French West Africa or French Equatorial Africa. † Rupee per pound. ‡ General rates of oil and iron exports 95.80. \*\* Rate is the transfer market (controlled). †† Rate is now based on 2 Barbados to the dollar. ††† Now an official rate. (U) Unified rate. Applicable on all transactions except countries having a bilateral agreement with Egypt, and who are not members of IMF. (S) Based on gross rates against Russian rouble. (1) Official rate for exports and imports. (2) Parallel rate for all transactions except specified exports and imports.

## Dollar easier

The dollar continued to lose ground in currency markets yesterday, reflecting a further fall in the opening level of the Euro-dollar rates and U.S. prime rates. Interest rates had started to ease after last Friday's figures showing a fall in U.S. money supply. Trading was generally quiet and the dollar's decline gained momentum soon after the various currency fixings throughout Europe. With New York entering the market, the dollar continued to come on offer, but finished just above its worst level of the day. Against the D-mark it closed at DM 1.7915, well down from Friday's close of DM 1.8180. Similarly it fell to SWFR 1.6010 against the Swiss franc after Friday's 1.6205. The yen showed an improvement helped by the negotiation of further oil contracts for Japan. The dollar finished at ¥235.8, its lowest level since mid-October. The dollar fell to 72.9 from 73.0, having stood at 72.9 at noon and 73.0 in the morning. Against the pound it opened at £2.2750-2.2760 and dipped to a low of £2.2735 before coming back to £2.2750. As the dollar weakened during the afternoon so sterling roached its best level of the day at £2.2840. It closed at £2.2810-£2.2820, a rise of 1.4c from Friday.

On Bank of England figures, the dollar's trade weighted index fell from 56.1 to 55.3. Sterling remained very much on the sidelines yesterday, losing ground against European currencies but improving against the dollar. Its trade weighted index fell to 72.9 from 73.0, having stood at 72.9 at noon and 73.0 in the morning. Against the dollar it opened at £2.2750-2.2760 and dipped to a low of £2.2735 before coming back to £2.2750. As the dollar weakened during the afternoon so sterling roached its best level of the day at £2.2840. It closed at £2.2810-£2.2820, a rise of 1.4c from Friday.

MARK — Showing renewed strength against the dollar and within the European Monetary System, following firmer rates in Frankfurt, and lower US interest rates — Trading was fairly subdued in Frankfurt yesterday, with various national holidays across Europe likely to restrict the level of business this week.

At yesterday's fixing the dollar eased to DM 1.7855 compared with an opening level of DM 1.8045 and Friday's fixing of DM 1.8050. Figures released yesterday that showed a West German current account deficit of DM 933m in March were in line with provisional indications, and appeared to have little effect on trading. Attention remained focused on interest rates and the easier tendency in Euro-dollar rates.

BELGIAN FRANC — No longer weakest member of EMS being helped by record interest rates earlier this year. Slightly weaker recently reflecting a slight fall in interest rates. The Belgian franc was generally firmer at yesterday's fixing in Brussels, despite further cuts in short term Treasury bill rates on Friday. The U.S. dollar was lower at BFR 33.945 compared with BFR 34.125 on Friday's fixing, and eased to BFR 33.88 from BFR 34.22. The franc remained largely unaffected by the efforts of M. Wilfried Martens temporary premier, to form what would be Belgium's 26th government since World War 2, although successful, he promised to implement further cuts in public spending to save around US\$2.7bn.

DANISH KRONE — Remained weak within the EMS, and suffering two devaluations during 1979 — The krone was generally weaker against its EMS partners but improved against sterling and the U.S. dollar. Sterling was fixed at Dkr 12.3830 in Copenhagen. JAPANESE YEN — Energy and balance of payments problems reflected in sharp decline last year. Although the situation over oil supplies remains uncertain, easier U.S. interest rates have helped the yen recover. The dollar lost ground against the yen in Tokyo yesterday, despite a late rally, and closed at ¥230.3 compared with ¥231.90 on Friday.

## EMS EUROPEAN CURRENCY UNIT RATES

|                  | ECU<br>central<br>rates | Current<br>amounts<br>against ECU<br>May 12 | % change<br>from<br>central<br>bank | % change<br>adjusted<br>for<br>divergence | Divergence<br>limit % |
|------------------|-------------------------|---|-------------------------------------|---|-----------------------|
| Belgium (Franc)  | 33.7657                 | 42.2663                                     | +1.35                               | +0.60                                     | +0.53                 |
| Denmark (Krone)  | 7.2233                  | 7.5779                                      | +1.74                               | +0.98                                     | +1.64                 |
| Germany (D-Mark) | 2.56206                 | 2.56206                                     | +0.93                               | +0.98                                     | +1.125                |
| France (Franc)   | 5.5470                  | 5.82043                                     | +0.23                               | +0.52                                     | +0.52                 |
| Greece (Drachma) | 2.7362                  | 2.7658                                      | +0.23                               | -0.01                                     | +1.512                |
| Ireland (Pound)  | 0.69271                 | 0.67545                                     | +1.24                               | +0.49                                     | +1.658                |
| Italian Lira     | 1157.78                 | 1151.57                                     | +2.05                               | +1.81                                     | +2.06                 |

Changes are for ECU, therefore positive change denotes a  
decrease in national currency value.







## Opportunities in Charterhouse Japhet

Charterhouse Japhet, a leading merchant bank and a member of the Accepting Houses Committee, has challenging opportunities for experienced staff in the following areas:

### Corporate Finance

The bank is expanding its Corporate Finance Department by appointing a senior and a junior executive. The appointments offer excellent opportunities for advancement and salary and benefits will be competitive depending on experience.

A professional law or accountancy qualification is essential for both positions. The successful senior appointee will probably be in the 30's age group and have at least 5 years' relevant post qualification experience.

The successful junior appointee will probably be in the 20's age group.

### Investment Management

Continuing expansion in Charterhouse Japhet Investment Management has created the opportunity for another Investment Manager to look after charitable and pension fund portfolios. Prime needs are a flexible and enquiring mind, the ability to communicate effectively and the temperament to work as part of a closely-knit team.

The successful applicant is likely to be a graduate in the late 20's with several years' experience in an investing institution and the desire to take on additional responsibilities.

### Management Systems

The management systems team of Charterhouse Japhet is continuing to expand. The team reviews all banking operations and prepares formal operating instructions both for United Kingdom and overseas branches.

The bank now needs to recruit an additional member of the team, an A.I.B. in the middle to late 20's with general banking, and preferably accounting experience. Great importance will be attached to personal qualities. The appointment could lead to a line position in about 2 years if desired.

For all these posts, please send career details, in confidence, to: R. S. Napier, Director for Personnel, Charterhouse Japhet Limited, 1 Paternoster Row, St. Paul's, London EC4M 7DH.

These appointments are open to men and women.



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### Deputy Chief Auditor

He will be based at the Ministry of Defence in Muscat but will be required to visit Military establishments throughout the Sultanate. His duties will involve, internal audit covering all aspects of the Ministry and the Armed Forces, assisting in the development of the audit function and deputising for the Chief Auditor when required. Candidates must be at least partly qualified Accountants with several years internal audit experience at a senior level. Experience of payroll and stores accounting systems in a diversified organisation would be of considerable advantage. Age up to 45, unaccompanied posting, live-in mess. Starting salary around £10,000 per annum at current exchange rates plus terminal bonus of 20% of total emoluments. Interviews in London early May (Ref. 7252/M).

Please write in confidence, giving full details of experience, quoting ref. no. to Reg Malone, Astral Recruitment Associates, 17/19 Maddox Street, London W1R 0EY. Tel. 01-408 1010.

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3. SENIOR OVERSEAS DIVIDENDS to £6,250 + bonus
4. CLIENT LEDGER CLERK to £6,000 + bonus
5. BEARER SETTLEMENTS CLERK to £5,500 + bonus
6. VALUATIONS CLERK to £4,500 + bonus
7. JUNIOR CONTRACTS CLERK to £4,500 + bonus

For details on all the above vacancies please contact LYNN BLACKLEY ON 01-623 0101

**CAMBRIDGE APPOINTMENTS  
RECRUITMENT AGENCY**

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3. ASST. CLAIMS MANAGER/ESS to £7,000
4. NON-MARINE CLAIMS BRKS. to £6,000
5. TREATY ACCOUNTS CLERKS to £6,000
6. MARINE X/L CLOSING TECHNICIAN to £6,000
7. MOTOR CLERK to £5,000

For details on all the above vacancies please contact EILEEN SHEPHERD ON 01-623 0101

## Managing Director

An exciting and unusual opportunity has arisen as Managing Director of this famous London fine art auction house. The current Managing Director, Nicholas Bonham, is to become Chairman and needs a person of considerable calibre and integrity to succeed him.

The person appointed will be an impressive administrator, an entrepreneurial businessman with previous successful experience at a high level, capable of making an early impact upon the company's performance.

A substantial remuneration to match the importance of this appointment will be negotiated. Equity participation is a possibility.

The appointment is open to both male and female candidates who should send full particulars, in confidence, to John Finnigan, Personnel Services Division of Spicer and Pegler Management Consultants, 3 Bevis Marks, London EC3A 7HL.

**Bonhams**  
FINE ART AUCTIONEERS AND VALUERS

**kis**

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# COMMODITIES AND AGRICULTURE

## Copper may outstrip demand

By John Edwards, Commodities Editor

WORLD copper production could exceed consumption by between 100,000 tonnes to 200,000 tonnes this year, according to a preliminary forecast by the International Wrought Copper Council, which represents consumers.

The prediction follows the Council's recent meeting with leading producers in Athens. It does not take into account any losses of output by U.S. copper workers when their labour contracts expire this summer or other possible supply disruptions.

The Council estimated that 1979 consumption of copper rose by 5.5 per cent to a record level and exceeded refined production by 2.5 per cent, by 540,000 tonnes, taking into account stockpile changes and East-West trade.

Meanwhile, on the London Metal Exchange, trading in copper, and other metals, continued on a quiet note, reflecting general lack of demand. Prices were little changed, although high-grade cash tin was firmer and conversely aluminium and nickel lost ground.

LME stock warehouse changes were: copper stocks up 125 to 17,425 tonnes; tin up 125 to 2,095; lead down 125 to 20,500; zinc down 225 to 56,525; aluminium down 975 to 28,500; and nickel down 254 to 8,118 tonnes. Silver holdings rose by 2,830,000 to 25m ounces.

## Tea producers agree on world export quota

By RICHARD COWPER IN JAKARTA

A CONFERENCE of the world's 10 leading tea exporters has agreed in principle to set a global net export quota for 1981 of around 740,000 tons in a bid to stop what they call a "further serious erosion of profitability in the industry and a continuing decline in the purchasing power of tea export earnings."

The objective of the quota should be to achieve an average price of 105 pence per kilo (FOB) to be maintained in real terms through to 1985. World tea exports last year totalled around 758,000 tons at an average price of 94 pence per kilo.

The conference which was attended by countries accounting for some 95 per cent of world tea exports failed however to agree on how the global quota should be allocated.

At the root of the problem is the fact that a number of countries such as Kenya and Zaïre have large new planting programmes under way while others have young bushes not yet producing. Such countries are obviously loath to see potential new export earnings cut off by a quota which only takes account of current exports.

Mr. H. O. Adiwinsia, the leader of the Indonesian delegation, said: "The conference was successful up to a point. We agreed on a target composite weighted average price of 105 pence per kilo, but many countries had perhaps raised their sights too high in hoping that the conference would agree on a detailed allocation of export quotas. For a tea agreement to get off the ground this is the key point."

The conference which was held in Bandung, Indonesia, recommended that after 1981 annual increases of exports should be limited to between 18,000 tons to 21,000 tons a year, bringing the global export quota for 1985 to around 817,000 tons.

The world's largest exporters of tea, Sri Lanka and India, insisted that they would be prepared to take a smaller proportion of this increase in order to accommodate those producing countries which had already embarked on expansion programmes as well, allowing Uganda to make a comeback on the world market after the economic disruption of the Idi Amin regime.

These concessions were not enough, however, to bring about agreement on the detailed allocation of export quotas on a country-by-country basis.

The conference asked UNCTAD to approach a number of governments individually in the hope that a basis for agreement could be worked out in time for the next UNCTAD intergovernmental meetings on tea, which the conference wants postponed from July and August to the latter part of the year.

What was not in dispute at the conference, however, was the view that market forces alone were not enough to sustain a remunerative price level for tea exporters. Tea prices in the first quarter of 1980 were more than 10 per cent below those for the same period in 1979. All countries were firmly committed to proceed with international action to manage the global supply of tea primarily through some kind of export regulation scheme.

Mr. Sudarsono said a global export quota would help bring the tea trade out of a 15 year depression brought on by rises in the price of oil, pesticides and machinery.

## Sugar up at five-year high

By Our Commodities Staff

THE DRAMATIC upsurge on the world sugar market continued yesterday taking prices to their highest levels in more than five years. On the London futures market the August futures gained 23.575 to £358.25 a tonne, a rise of 883 from the end of last month.

Earlier in the day the August price reached £370 a tonne and in the morning the London daily raw sugar price was fixed 229 higher at £335 a tonne.

Dealers said there was no significant news to explain the rise, which they attributed to continuing expectations of a substantial output production deficit in the coming year. Analysts comments published recently have been unanimously bullish, they noted.

Yesterday's advance may have been influenced by the latest official estimate of this season's Cuban sugar harvest, which put the crop at 6.7m tonnes. This would be the lowest production total since 1977 and is at the bottom of the range of recent market forecasts.

Continuing strong physical buying demand was a further factor affecting the market.

The world sugar market is now above the EEC price, and if it remains at this level or rises further the Common Market Commission may have to impose levies on sugar exports instead of granting subsidies. Last week the Commission granted export licences for 122,000 tonnes of white sugar with no subsidy and no levy.

## Increased grain crop forecast for USSR

The Soviet Union's domestic grain crop for 1980-81 is forecast at between 190m and 230m tonnes, up from an estimated 179m in the previous season, the U.S. Agriculture Department said in Washington.

USDA's world food and agricultural outlook board forecast 1980-81 USSR wheat output at 90m to 115m tonnes, compared with estimated 1979-80 production of 80.1m tonnes.

Coarse grain production (rye, barley, oats, corn sorghum and millet) in 1980-81 is forecast at 90m to 105m tonnes compared with 80.6m in the prior season.

Total grains includes wheat, coarse grains, pulses, rice buckwheat and miscellaneous grains.

USDA grain imports are expected to total 22 to 34m tonnes in 1980-81 compared with imports of 30.5m in 1979-80.

USDA said the USSR is expected to continue to import large amounts of grain to 1980-81 to build stocks which were nearly exhausted in 1979-80 when the USSR attempted to offset the S. grain embargo.

USDA imports are expected to be well above 20m tonnes, even if the crop is average or above average. If the crop is small, imports above 34m tonnes will be difficult without a substantial shift in availabilities from the main exporting countries, USDA said.

Preliminary estimates show the USSR will need about 10m to 15m tonnes of wheat and 10m to 20m tonnes of maize in 1980-81, compared with 11.8m and 18.2m tonnes, respectively in 1979-80.

On the USSR's 1980-81 crops, USDA said, the wheat grains were little emerging from dormancy, which suggests the planned level of 235m tonnes will not be met.

The USSR may have decided to economise on feed use per head of livestock so that numbers can be maintained. This is a change from policy earlier in 1980 which may have been to increase slaughter to match livestock herds with reduced feed supplies.

This could mean that productivity will slip, lighter weight animals will be slaughtered, and the 1980 plan target of 15.7m tonnes.

Argentina will ship 5m tonnes of maize to the Soviet Union this year in spite of a U.S. call for a grain boycott, Argentine agriculture secretary Camilo Aldao said in reports Reuters.

Mr. Aldao said contracts for 4m tonnes of grains had been signed with the Soviet Union for delivery this year. "We might send them an additional one million tonnes of maize, depending on the results of the harvest now in progress," he said.

Since the U.S. boycott, grain prices have gone up 30 per cent, Mr. Aldao said.

World total grain production, meanwhile, will likely range from 1.525m to 1.605m tonnes in the 1980-81 season, up from an estimated 1.533m in 1979-80, due to more favourable weather, the USDA said in its initial estimate of the 1980-81 crop.

USDA's World Food and Agricultural Outlook and Statistical Board says larger crops are likely in several countries, including Western and Eastern Europe.

World wheat production is placed in a range of 420-460m tonnes for 1980-81, compared with 420m in 1979-80. This includes an estimated 57-66m tonnes in the U.S. versus 58.3m in 1979-80.

USDA said current indications point to larger wheat crops in Western Europe and Eastern Europe, while India's crop may be down nearly a tenth.

## Campaign by UK fishermen against cheap imports

By RICHARD MOONEY

BRITISH FISHERMEN have threatened direct action against cut-price fish imports, which they claim are destroying the British fishing industry.

The National Federation of Fishermen's Organisations, which represents mainly East-coast skipper-owners, said yesterday its members would picket container ports receiving the fish unless the Government acted to stop cod "dumping" by Continental countries. It may also seek the co-operation of Transport and General Workers' Union members at the ports.

The first phase of the Federation's campaign against the cheap imports, which have undermined UK quayside prices began yesterday when members withdrew co-operation with the Government. They are refusing to complete log books, fill in sales notes, record catches, or co-operate with British fishery protection vessels which board them to check for small-mesh nets and undersized fish.

Leaders of the Federation will meet Mr. Peter Walker, the Agriculture and Fisheries Minister, and Mr. Alick Buchanan-Smith, Minister of State, this evening to press its case.

As the campaign got under way, further evidence of the plight of the industry emerged with the news that Hull's last two fresh fish trawlers had been laid up, leaving the port with just its 22 freezer trawlers.

Boyd Line laid up Arctic Challenger and Arctic Reiver on their return from a pair-trawling trip which yielded a loss of about £26,000. The company's trawler manager, Mr. Peter Smith, blamed the situation on low quayside prices.

The vessels landed 3,243 tonnes of fish, mainly of cod, haddock and coley, which were sold for £52,339, he said. This compared with a similar trip by the two trawlers at the same time last year when the 2,761 tonnes landed fetched £78,179.

"Imports have knocked the bottom out of the market," said Mr. Carden.

The cod price yesterday was £26.58 a kit, against £41.53 a year ago. In the meantime cods have risen by 20 per cent. Mr. Carden said the extra cost of fuel alone for the trip just completed was £8,360.

## Firestone drops rubber contract cancellation plan

NEW YORK — Firestone Tire and Rubber has dropped plans to buy its way out of existing agreements to purchase natural rubber, market dealers said, reports Reuters.

Dealers said Firestone recently approached them about the possibility of buying its way out of some rubber purchasing contracts, but has since told them it is no longer interested in renegotiating its deals.

The company recently announced the closing of five of its 12 tyre-making plants.

## Barley offered for intervention

By JOHN CHERRINGTON, AGRICULTURE CORRESPONDENT

THIS MONTH has seen the first significant offers of barley for intervention buying since 1976. The Home-Grown Cereals for the Intervention Board, has Authority, which acts as agent for the intervention, has offered a total of 4,750 tonnes since May 5, the first offers since last autumn when only 120 tonnes were accepted. Previous to that the last intervention buying of barley was in the 1977-78 season when 20,000 tonnes were accepted.

Two thirds of this present offering was from Scotland, the remainder in England. It is very probable that as the month progresses some significant quantities may be offered. The reason for this is that the May intervention price of £97.14 per tonne falls to £87.67 in both June and July.

The intervention price for the new season which starts on August 1 will be subject only to the last Green Pound devaluation of 5 per cent, but also to the increase to be granted when the Community farm price review, still held up in the EEC budget dispute, is put into effect.

If it is set in line with the Commission's recommendation of a 44 per cent increase for cereals, the August intervention price will rise to £96 and £97 per tonne and rising by £1.12 per month thereafter.

These offers to intervention reflect the generally poor trade for barley which has been caused by some reduction in the use of this cereal due to the mild winter, both by compounders and farmers, and to a fall of about 200,000 tonnes in the volume of barley exports. Stocks still on farms were estimated as being 5 per cent above those of last year at the end of February.

Intervention selling is subject to quite serious conditions: minimum quantity must be 100 tonnes; moisture 15 per cent;

and a low proportion of broken grain and other impurities. And intervention selling has in the past been left to merchants, although farmers can do so.

The cost of transport to store is based on that to the nearest store to the farm. At present this is about £2 per tonne, but should a load be rejected, the whole of the transport cost from the directed destination falls on the farmer. The present price of feeding barley is between £90 and £92 per tonne, depending on location, which leaves little margin for intervention selling at present.

But a continuation of the present drought would probably increase the demand for compounds by livestock farmers and could make for a much stronger market later in the year, particularly when next year's intervention price for barley in May should, under present calculations, reach £106 per tonne.

## New trading on Hong Kong exchange

THE HONG KONG COMMODITY EXCHANGE has raised the price of membership from £100,000 to £125,000, which is the price of the one share in the Exchange that every full member must purchase.

The increase in price of new membership is the result of increased interest following the Hong Kong Government's recent approval of an exchange proposal to trade in gold futures. The gold market is expected to start in a few months.

At the same time, once dormant trading in sugar and cotton has revived due to the introduction of a new trading system more in keeping with Japanese practice.

## BRITISH COMMODITY MARKETS

| BASE METALS   |            |          |            |
|---|------------|----------|------------|
| COPPER—Steady in subdued trading on the London Metal Exchange. Forward metal held within 0.15 range through-out the day, starting at £307 and touching a high of £312. The market was unaffected by the rumour of Cornucopia and closed on the Korb at £312. Turnover: 15,200 tonnes. |            |          |            |
| Official  | Unofficial | Official | Unofficial |
| Wirebars  | £ 5.3      | £ 5.3    | £ 5.3      |
| Cathodes  | £ 5.3      | £ 5.3    | £ 5.3      |
| U.S. Prod.  | £ 5.3      | £ 5.3    | £ 5.3      |
| ZINC—Higher as forward metal rose in the afternoon, however, the price remained steady. This level closing on the Korb at £247.5. Turnover: 11,150 tonnes.  |            |          |            |
| Official  | Unofficial | Official | Unofficial |
| Wirebars  | £ 5.3      | £ 5.3    | £ 5.3      |
| Cathodes  | £ 5.3      | £ 5.3    | £ 5.3      |
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| U.S. Prod.      | £ 5.3      | £ 5.3    | £ 5.3      |

## AMERICAN MARKETS

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## PRICE CHANGES

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|-----------------|------------|----------|------------|
| Official        | Unofficial | Official | Unofficial |
| Wirebars        | £ 5.3      | £ 5.3    | £ 5.3      |
| Cathodes        | £ 5.3      | £ 5.3    | £ 5.3      |
| U.S. Prod.      | £ 5.3      | £ 5.3    | £ 5.3      |

| COPPER OFFICIAL |            |          |            |
|-----------------|------------|----------|------------|
| Official        | Unofficial | Official | Unofficial |
| Wirebars        | £ 5.3      | £ 5.3    | £ 5.3      |
| Cathodes        | £ 5.3      | £ 5.3    | £ 5.3      |
| U.S. Prod.      | £ 5.3      | £ 5.3    | £ 5.3      |

| COPPER OFFICIAL |            |          |            |
|-----------------|------------|----------|------------|
| Official        | Unofficial | Official | Unofficial |
| Wirebars        | £ 5.3      | £ 5.3    | £ 5.3      |
| Cathodes        | £ 5.3      | £ 5.3    | £ 5.3      |
| U.S. Prod.      | £ 5.3      | £ 5.3    | £ 5.3      |

## EUROPEAN MARKETS

| BASE METALS   |            |          |            |
|---|------------|----------|------------|
| COPPER—Steady in subdued trading on the London Metal Exchange. Forward metal held within 0.15 range through-out the day, starting at £307 and touching a high of £312. The market was unaffected by the rumour of Cornucopia and closed on the Korb at £312. Turnover: 15,200 tonnes. |            |          |            |
| Official  | Unofficial | Official | Unofficial |
| Wirebars  | £ 5.3      | £ 5.3    | £ 5.3      |
| Cathodes  | £ 5.3      | £ 5.3    | £ 5.3      |
| U.S. Prod.  | £ 5.3      | £ 5.3    | £ 5.3      |

| COPPER OFFICIAL |            |          |            |
|-----------------|------------|----------|------------|
| Official        | Unofficial | Official | Unofficial |
| Wirebars        | £ 5.3      | £ 5.3    | £ 5.3      |
| Cathodes        | £ 5.3      | £ 5.3    | £ 5.3      |
| U.S. Prod.      | £ 5.3      | £ 5.3    | £ 5.3      |

| COPPER OFFICIAL |            |          |            |
|-----------------|------------|----------|------------|
| Official        | Unofficial | Official | Unofficial |
| Wirebars        | £ 5.3      | £ 5.3    | £ 5        |



# Intensified speculation in oils features quiet markets Gilts revive after fresh U.S. prime rate reductions

## Account Dealing Dates

### Options

#### \*First Declara- Last Account

#### Dealings Dates Day

#### Apr. 26 May 8 May 9 May 19

#### May 12 May 28 May 30 June 9

#### \* "New time" dealing date

#### piece from 6 am to two business days

#### earlier.

#### June 2 June 12 June 13 June 23

#### The Oil sector again provided

#### outstanding features following

#### intensified speculation in a host

#### of shares, and especially those

#### associated with the Humble

#### Grove discovery which Carless

#### Capel confirmed yesterday. The

#### first day of a three-week trading

#### Account otherwise brought few

#### fresh developments apart from a

#### revival of takeover interest in

#### situation stocks following two

#### new bids yesterday and Unigate's

#### increased terms for Cliford's

#### Dairies, which the latter rejected.

#### Trading statements also en-

#### couraged scattered pockets of

#### activity.

#### The main body of equities was

#### untested. Leading shares were

#### marked a shade lower on the

#### assumption that the bleak eco-

#### nomical outlook and the deferment

#### of hopes of any early reduction

#### in Minimum Lending Rate would

#### continue to blunt investment

#### incentive. This proved to be so,

#### but sellers remained reluctant

#### and many leaders were able to

#### edge better. Dunlop were again

#### prominent as renewed Far

#### Eastern demand promoted more

#### speculation about a possible offer

#### originating from the same source.

#### Dunlop was one of nine con-

#### stituents of the FT 30-share index

#### to go ex-dividend yesterday, and

#### this depressed the index by

## around 5 points; after being 4.5

## points at the first calculation of

## the day, however, it closed a net

## 2.8 off at 434.2.

## Domestic investors remained

## wary of gilt-edged securities, but

## continuing foreign buying

## interest kept the market steady.

## For a while, the only features

## were the Variable Coupons

## issues which improved on

## specialist demand for the 1982

## stock. Other shorts gradually

## improved and support in all

## sectors increased later following

## the fresh cuts in U.S. prime rates

## —one to 16 per cent. Gains after

## the official close were around 1

## among both shorts and longs with

## complete. The most active stock

## was Land Securities which

## recorded 84 cents.

## King and Shaxson good

## King and Shaxson featured an

## otherwise drab banking sector,

## rising 7 to 7 1/2 in response to

## the better-than-expected prelimi-

## nary results. Other Discounts

## hardened in places in sympathy

## with firm gilts. Alexander put

## on 3 to 23 1/2, while Clive hardened

## a penny to 37 1/2, while Cater Ryder

## held at 32 1/2 awaiting Thursday's

## annual figures. The major

## clearers closed quietly firm with

## Midland 3 up at 33 1/2 and Nat-

## West a like amount higher at

## 33 1/2. Currently in receipt of a

## cash bid worth around 85p per

## share from Hong Kong and

## Shanghai Banking, Antway Gibbs

## rose 3 to 3 1/2, while HUI Samuel

## were despite a 22 1/2 fall in 3.

## In Hire Purchases, FNFC cheapened

## a fraction to 18 1/2, but Lloyds and

## Scottish closed unaltered at 14 1/2,

## the latter ahead of Thursday's

## interim results.

## An extremely quiet trade in

## Insurance left prices with small

## mixed movements at the close.

## Commercial Union held at 13 1/2,

## while Royals hardened a couple

## of pence to 24 1/2 ahead of first-

## quarter figures today and

## Accident put on 3 1/2 to 25 1/2.

## About to enter a major divi-

## dend season shortly, Beaverley

## attracted scattered support and

## ended with moderate gains.

## Whitbread, annual results

## Wednesday week, added a penny

## to 13 1/2, while Bass added 2 to

## 13 1/2. Further consideration of

## the first-half results helped Vaux

## 3 higher at 15 1/2. A dull market

## of late on fears of short-time

## working. Distillers closed un-

## changed at 19 1/2 after having

## traded 19 1/2.

## Since Circle became a notable

## dull spot in Buildings, shedding

## 6 to 31 1/2. Redland eased 3 to

## 18 1/2 on news that the company

## faces legal action following

## accusations of collusive tender-

## ing. French Kier eased a fraction

## to 50p, despite annual profits in

## line with market estimates, but

## Tyson (Contractors) held at 19p

## despite reporting an annual loss.

## By contrast, Barrett and Hallam-

## shire advanced 20 to 55 1/2 in a

## thin market, while the new-lev-

## elled 21 to 22 1/2 following an

## investment recommendation. Io

## Timbers, speculative counter

## Mallinson-Denny touched 68 1/2

## before settling a fraction harder

## on balance at 67 1/2.

## A couple of pence easier at

## the outset, ICI picked up as the

## session wore on and the close was

## 2 1/2 firmer on balance at 35 1/2.

## Among other Chemicals, Reckitt

## revived with a gain of 3 to 13 1/2,

## while Brent added 4 to 14 1/2.

## Physio added 4, to 9 1/2, last

## year. The annual results were

## announced June 14.

## British Home please

## Store majors took on a firmer

## appearance, although trading was

## light. British Home announced

## annual earnings at the top end

## of market estimates and closed

## a couple of pence better at 53 1/2.

## Mark's and Sainsbury's, both

## Debenhams, T. J. and Burton,

## 117, all added a similar amount,

## while Woolworths firmed the

## turn to 82 1/2 in front of today's

## first-quarter figures. Elsewhere,

## Kitchen Queen continued to

## weaken following Friday's news

## of a much larger first-half loss

## than originally anticipated,

## falling to 10p before settling for

## a loss of 2 at 11p. Polity Peck-

## Wagen Industrial a few pence

## on the other hand, were again

## boosted by hopes of an asset

## injection and rose 3 more to 4 1/2.

## The 24 1/2 rights issue which

## accompanied the mid-term

## results elapsed 6 from NSS New-

## agents, 11 1/2, while the threat of

## strong competition from Asso-

## ciated Dairies' Ulkay subsidiary

## left Harris Queensway 7 cheaper

## at 18 1/2. Among Shoes, second

## thoughts on the virtual standstill

## in full-year profits left Garner

## Scottish 4 easier at 7 1/2.

## Unsettled by the withdrawal of

## JVC from the negotiations to

## purchase the Decca television

## manufacturing operations, Reac-

## dear at 17 1/2. In contrast, M.

## Mole fell 2 to 10p on the annual

## loss and passing of the dividend.

## Proceedings in the Food sector

## were considerably enlivened by

## bid developments. British Sugar

## jumped 3 1/2 to 20 1/2 to better

## the bid terms from S. and W.

## Berisford, 9 off at 14 1/2. Tatc

## and Lyle, excited by the situation,

## put on 6 to 13 1/2, after 13 1/2.

## Unigate's revised offer for

## Chloride Dairies left the latter

## price, while Newall closed a like

## amount dearer at 10 1/2. Boots

## closed forward a couple of pence

## to 18 1/2; the preliminary results

## are due next week.

## The odd feature emerged in

## otherwise subdued Motor sectors.

## Dunlop continued to advance on

## strongly better-than-expected

## results, closing 5 1/2 higher at 70 1/2.

## Fordens encountered revived

## speculative buying and firmed 4

## to 38p, but Pennine Commercial

## shed 1 1/2 to 4 1/2 following the

## annual figures.

## The settlement of the

## provincial print craftsmen's

## dispute prompted support for

## Newspaper issues. News Inter-

## national featured with a jump of

## 15 to 15 1/2. Pearson Longman

## added 3 to 19 1/2, while Associated

## picked up 5 to 28 1/2. United

## added 7 to 35 1/2, while Home

## closed 5 to the good at 8 1/2.

## Perry Bilton remained un-

## settled by the disappointing

## property revaluation and shed a

## further 13 to 20 1/2. Other

## Properties usually picked up to

## close virtually unchanged after

## an uncertain start. Ruxton and

## Templeton put on 1 1/2 to 17 1/2

## following the chairman's annual

## statement, while Dorington

## added 4 to 9 1/2 as speculative in-

## terest revived.

## Rise in Oils continues

## The advance in Oil exploration

## issues continued unabated yester-

## day. Once again, trading con-

## ditions were extremely brisk

## and many of the day's gains were

## substantial. Berkeley Exploration

## stood out with a rise of 2 1/2 to

## 18 1/2. Stephens gained 4 1/2 to

## 56 1/2 and Laseco 3 1/2 to 62 1/2,

## while Tricrest was well supported

## at 36 1/2, up 1 1/2. Carless Capel

## closed 10 to the good at 15 1/



**AUTHORISED  
UNIT  
TRUSTS**

[illegible]

## INSURANCE PROPERTY BONDS

|  |             |             |
|--|-------------|-------------|
| <b>Liberty Life Assurance Co. Ltd.</b> |             |             |
| 330 N. W. 1st St., Miami, Fla.         |             |             |
| Assets                                 | \$1,000,000 | \$1,000,000 |
| Liabilities                            | \$1,000,000 | \$1,000,000 |
| Equity                                 | \$1,000,000 | \$1,000,000 |
| Reserves                               | \$1,000,000 | \$1,000,000 |
| Capital                                | \$1,000,000 | \$1,000,000 |
| Surplus                                | \$1,000,000 | \$1,000,000 |
| Profit                                 | \$1,000,000 | \$1,000,000 |
| Losses                                 | \$1,000,000 | \$1,000,000 |
| Expenses                               | \$1,000,000 | \$1,000,000 |
| Income                                 | \$1,000,000 | \$1,000,000 |
| Net Income                             | \$1,000,000 | \$1,000,000 |
| Dividends                              | \$1,000,000 | \$1,000,000 |
| Interest                               | \$1,000,000 | \$1,000,000 |
| Commissions                            | \$1,000,000 | \$1,000,000 |
| Salaries                               | \$1,000,000 | \$1,000,000 |
| Other                                  | \$1,000,000 | \$1,000,000 |
| Profit in May & Vacation               | \$1,000,000 | \$1,000,000 |
| <b>Liberty Life Assurance Co. Ltd.</b> |             |             |
| 31, 31d Burlington St., N.Y.           |             |             |
| Assets                                 | \$1,000,000 | \$1,000,000 |
| Liabilities                            | \$1,000,000 | \$1,000,000 |
| Equity                                 | \$1,000,000 | \$1,000,000 |
| Reserves                               | \$1,000,000 | \$1,000,000 |
| Capital                                | \$1,000,000 | \$1,000,000 |
| Surplus                                | \$1,000,000 | \$1,000,000 |
| Profit                                 | \$1,000,000 | \$1,000,000 |
| Losses                                 | \$1,000,000 | \$1,000,000 |
| Expenses                               | \$1,000,000 | \$1,000,000 |
| Income                                 | \$1,000,000 | \$1,000,000 |
| Net Income                             | \$1,000,000 | \$1,000,000 |
| Dividends                              | \$1,000,000 | \$1,000,000 |
| Interest                               | \$1,000,000 | \$1,000,000 |
| Commissions                            | \$1,000,000 | \$1,000,000 |
| Salaries                               | \$1,000,000 | \$1,000,000 |
| Other                                  | \$1,000,000 | \$1,000,000 |
| Profit in May & Vacation               | \$1,000,000 | \$1,000,000 |
| <b>Liberty Life Assurance Co. Ltd.</b> |             |             |
| Alma Hse., Alma Rd., N.Y.              |             |             |
| Assets                                 | \$1,000,000 | \$1,000,000 |
| Liabilities                            | \$1,000,000 | \$1,000,000 |
| Equity                                 | \$1,000,000 | \$1,000,000 |
| Reserves                               | \$1,000,000 | \$1,000,000 |
| Capital                                | \$1,000,000 | \$1,000,000 |
| Surplus                                | \$1,000,000 | \$1,000,000 |
| Profit                                 | \$1,000,000 | \$1,000,000 |
| Losses                                 | \$1,000,000 | \$1,000,000 |
| Expenses                               | \$1,000,000 | \$1,000,000 |
| Income                                 | \$1,000,000 | \$1,000,000 |
| Net Income                             | \$1,000,000 | \$1,000,000 |
| Dividends                              | \$1,000,000 | \$1,000,000 |
| Interest                               | \$1,000,000 | \$1,000,000 |
| Commissions                            | \$1,000,000 | \$1,000,000 |
| Salaries                               | \$1,000,000 | \$1,000,000 |
| Other                                  | \$1,000,000 | \$1,000,000 |
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| Liabilities                            | \$1,000,000 | \$1,000,000 |
| Equity                                 | \$1,000,000 | \$1,000,000 |
| Reserves                               | \$1,000,000 | \$1,000,000 |
| Capital                                | \$1,000,000 | \$1,000,000 |
| Surplus                                | \$1,000,000 | \$1,000,000 |
| Profit                                 | \$1,000,000 | \$1,000,000 |
| Losses                                 | \$1,000,000 | \$1,000,000 |
| Expenses                               | \$1,000,000 | \$1,000,000 |
| Income                                 | \$1,000,000 | \$1,000,000 |
| Net Income                             | \$1,000,000 | \$1,000,000 |
| Dividends                              | \$1,000,000 | \$1,000,000 |
| Interest                               | \$1,000,000 | \$1,000,000 |
| Commissions                            | \$1,000,000 | \$1,000,000 |
| Salaries                               | \$1,000,000 | \$1,000,000 |
| Other                                  | \$1,000,000 | \$1,000,000 |
| Profit in May & Vacation               | \$1,000,000 | \$1,000,000 |
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| Liabilities                            | \$1,000,000 | \$1,000,000 |
| Equity                                 | \$1,000,000 | \$1,000,000 |
| Reserves                               | \$1,000,000 | \$1,000,000 |
| Capital                                | \$1,000,000 | \$1,000,000 |
| Surplus                                | \$1,000,000 | \$1,000,000 |
| Profit                                 | \$1,000,000 | \$1,000,000 |
| Losses                                 | \$1,000,000 | \$1,000,000 |
| Expenses                               | \$1,000,000 | \$1,000,000 |
| Income                                 | \$1,000,000 | \$1,000,000 |
| Net Income                             | \$1,000,000 | \$1,000,000 |
| Dividends                              | \$1,000,000 | \$1,000,000 |
| Interest                               | \$1,000,000 | \$1,000,000 |
| Commissions                            | \$1,000,000 | \$1,000,000 |
| Salaries                               | \$1,000,000 | \$1,000,000 |
| Other                                  | \$1,000,000 | \$1,000,000 |
| Profit in May & Vacation               | \$1,000,000 | \$1,000,000 |
| <b>Liberty Life Assurance Co. Ltd.</b> |             |             |
| Alma Hse., Alma Rd., N.Y.              |             |             |
| Assets                                 | \$1,000,000 | \$1,000,000 |
| Liabilities                            | \$1,000,000 | \$1,000,000 |
| Equity                                 | \$1,000,000 | \$1,000,000 |
| Reserves                               | \$1,000,000 | \$1,000,000 |
| Capital                                | \$1,000,000 | \$1,000,000 |
| Surplus                                | \$1,000,000 | \$1,000,000 |

## OFFSHORE OVERSEAS FUNDS

[illegible]

:Continued on previous page













## House of Fraser resists Lonrho

BY JOHN MOORE

HOUSE OF FRASER, the department store group which owns Harrods, is strongly resisting attempts by its largest shareholder, Lonrho, to force it to raise its proposed annual dividend by 50 per cent to 6p per share.

House of Fraser has said in a letter to shareholders that Lonrho's proposal represents a level of dividend which is "considerably more than House of Fraser's earnings for the year (ending January, 1980) in real terms."

House of Fraser says that its proposed 6p per share total dividend, including 4p final, represents an increase of 36 per cent over last year.

### War of words

Yesterday marked the formal opening of the war of words between Lonrho and House of Fraser as both sides revealed the arguments that they had sent to the Fraser shareholders. Lonrho plans to send another circular to shareholders, possibly later this week, countering House of Fraser's opposition to its moves.

Lonrho, which holds a 29.9 per cent stake in House of Fraser, has asked for a special resolution to be put before Fraser shareholders at the stores group annual meeting on June 13.

Lonrho said in its letter to shareholders that "the proposed increase in the dividend represents no more than a reasonable expectation for shareholders. It will partly compensate shareholders for the low level of dividend paid during the years of dividend control. This has resulted in huge retained profits of almost £100m being accumulated over the 10 years to January 26, 1980."

Lonrho added: "This is an issue of principle for all shareholders."

### Exceptions

House of Fraser's board signed its letter to shareholders with the exception of Lord Duncan-Sandys and Mr. Tiny Rowland, respectively Lonrho's chairman and chief executive, who sit on the Fraser board, and of a non-executive director who lives abroad. The board urged shareholders to study the group's inflation-adjusted figures.

"Your board's recommended final dividend together with the interim dividend already paid will result in the total payment of 59m being barely covered (1.02 times) by real earnings."

The group added that "it would be irresponsible for the future of the company to pay out in today's circumstances more than was earned in real terms."

## Weather

### UK TODAY

DRY, WITH prolonged sunbathing in the East and outbreaks of thundery rain likely in extreme West. Temperatures ranging from near normal in the West to very warm in the East. Max. temps. 21C (73F)—25C (77F), except S.W. England, S. Wales, Channel Isles, Scotland, Orkney, Shetland and N. Ireland. Max. temps. 17C (63F)—18C (64F).

Outlook: little general change.

### WORLDWIDE

|               | Y'day | midday |    | Y'day     | midday  |
|---------------|-------|--------|----|-----------|---------|
| Algeria       | S     | 21     | 70 | Lisbon    | C 18 58 |
| Alexandria    | F     | 26     | 79 | Locarno   | C 18 58 |
| Antwerp       | C     | 18     | 58 | London    | S 23 73 |
| Athens        | S     | 21     | 70 | Lyons     | S 21 70 |
| Bahia         | C     | 17     | 63 | Madrid    | R 11 52 |
| Batavia       | S     | 21     | 70 | Manila    | C 18 64 |
| Bombay        | S     | 21     | 70 | Moscow    | C 18 64 |
| Buenos Aires  | S     | 21     | 70 | Munich    | C 18 64 |
| Calcutta      | S     | 21     | 70 | Nairobi   | C 21 70 |
| Canton        | S     | 21     | 70 | Naples    | C 22 72 |
| Cebu          | S     | 21     | 70 | Norwich   | C 18 64 |
| Colon         | S     | 21     | 70 | Osaka     | C 21 70 |
| Copenhagen    | S     | 21     | 70 | Paris     | C 22 72 |
| Dacca         | S     | 21     | 70 | Perth     | C 18 64 |
| Dahomey       | S     | 21     | 70 | Rangoon   | C 18 64 |
| Dar es Salaam | S     | 21     | 70 | Reykjavik | C 11 52 |
| Delhi         | S     | 21     | 70 | Rome      | C 21 70 |
| Dublin        | S     | 21     | 70 | Singapore | C 21 70 |
| Edinburgh     | S     | 21     | 70 | Stockholm | C 18 64 |
| Frankfurt     | S     | 21     | 70 | Sydney    | C 21 70 |
| Geneva        | S     | 21     | 70 | Taipei    | C 21 70 |
| Hankow        | S     | 21     | 70 | Tel Aviv  | C 21 70 |
| Hong Kong     | S     | 21     | 70 | Tokyo     | C 21 70 |
| Imbabura      | S     | 21     | 70 | Toronto   | C 21 70 |
| Indragiri     | S     | 21     | 70 | Valencia  | C 21 70 |
| Jakarta       | S     | 21     | 70 | Vancouver | C 21 70 |
| Johannesburg  | S     | 21     | 70 | Vienna    | C 21 70 |
| Kuala Lumpur  | S     | 21     | 70 | Zurich    | C 18 64 |
| London        | S     | 23     | 73 |           |         |
| Lyons         | S     | 21     | 70 |           |         |
| Manila        | C     | 18     | 64 |           |         |
| Moscow        | C     | 18     | 64 |           |         |
| Munich        | C     | 18     | 64 |           |         |
| Nairobi       | C     | 21     | 70 |           |         |
| Naples        | C     | 22     | 72 |           |         |
| Norwich       | C     | 18     | 64 |           |         |
| Osaka         | C     | 21     | 70 |           |         |
| Paris         | C     | 22     | 72 |           |         |
| Perth         | C     | 18     | 64 |           |         |
| Rangoon       | C     | 18     | 64 |           |         |
| Reykjavik     | C     | 11     | 52 |           |         |
| Rome          | C     | 21     | 70 |           |         |
| Singapore     | C     | 21     | 70 |           |         |
| Stockholm     | C     | 18     | 64 |           |         |
| Sydney        | C     | 21     | 70 |           |         |
| Taipei        | C     | 21     | 70 |           |         |
| Tel Aviv      | C     | 21     | 70 |           |         |
| Tokyo         | C     | 21     | 70 |           |         |
| Toronto       | C     | 21     | 70 |           |         |
| Valencia      | C     | 21     | 70 |           |         |
| Vancouver     | C     | 21     | 70 |           |         |
| Vienna        | C     | 21     | 70 |           |         |
| Zurich        | C     | 18     | 64 |           |         |

|            |           |           |          |
|------------|-----------|-----------|----------|
| C - Cloudy | F - Fair  | Fog - Fog | R - Rain |
| S - Snow   | S - Sleet | S - Snow  | S - Snow |

# FINANCIAL TIMES

Tuesday May 13 1980

Food industrial valuers

## Defence re-think by NATO

BY REGINALD DALE, EUROPEAN EDITOR, IN BRUSSELS

EUROPEAN MEMBERS of the North Atlantic Treaty Organisation have launched a re-examination of their military priorities to see how they can both help out the U.S. and strengthen their own defences in the wake of the Afghanistan and Iranian crises.

After yesterday's meeting here of the Alliance's 11-nation Eurogroup, Ministers undertook in a communiqué to "shoulder their share of the defence burden." Following increasing U.S. military responsibilities outside Europe, Ministers from all the European NATO countries, except France and Iceland, attended.

Final decisions are unlikely to be taken until the Alliance's ministerial council meeting in December. A number of European countries are clearly concerned at the extra financial cost that might be involved if plans already budgeted for are accelerated or increased.

The Eurogroup was preparing for two days of talks by NATO Defence and Foreign Ministers today and tomorrow,

at which one of the main themes will be Europe's response to U.S. requests that it should "take up the slack" as American units are assigned tasks outside the traditional NATO area (Europe, the Mediterranean and North Africa).

Herr Hans Apel, the West German Defence Minister, who chaired yesterday's meeting, stressed that there was no question of U.S. troops being withdrawn from Western Europe, a point strongly reaffirmed in the communiqué. The "slack" would be caused by a change of role for American reserves in the U.S. who might no longer be able to fly to reinforce Western European time of war.

The Eurogroup also agreed that this means re-thinking priorities under the Alliance's existing long-term plans to strengthen its conventional forces. Three topics under study are: the level of European reserves, war stocks (essentially ammunition), and transport aircraft.

Pointing out that his country

had recently announced plans for better utilisation of its reserves, Herr Apel said he thought other European Governments would follow suit. West Germany is reported to be able to mobilise 1.5m men in time of crisis.

Mr. Francis Pym, Britain's Defence Minister, called for solidarity with and understanding for the U.S. The UK is understood to be studying plans for increasing stocks of war material and ammunition rather than stepping up its reserves. Recruitment to the Territorial Army is already increasing following the recent rise in the bounty pay, and there is no question for the time being of re-introducing national service.

Mr. Pym was also among those who emphasised that American military intervention in the Middle East, or South Asia should be considered only as a last resort. He is expected, all the same, to argue in the coming days that the Alliance should not stick to too rigid a definition of its traditional

boundaries in defending its interests.

At the same time the Ministers repeated their desire for a "flexible, balanced and verifiable measures of arms control and disarmament, on the basis of undiminished security, together with their determination to promote stability and peaceful relations with the Soviet Union."

They emphasised that this must be done within the framework of a global, indivisible and reciprocal process of détente, the pursuit of which is rendered all the more difficult by the Soviet invasion of Afghanistan.

Paul Betts adds from Rome: Mr. Harold Brown, the U.S. Defence Secretary, indicated in talks here over the weekend with the Italian Government, that Washington hopes its European allies will make some military contribution to back up U.S. defence efforts in the Gulf. But U.S. officials in Rome said Washington would not make any formal demand for military help in the Gulf.

## \$1.5bn Harrier engine development deal agreed

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

A JOINT engine development and production deal that could be worth about \$1.5bn (\$867m) has been signed by Rolls-Royce and its U.S. rival, Pratt and Whitney.

The deal covers future development and production of the Pegasus vertical take-off engine, used in the Harrier jump-jet fighter.

It is intended to ensure that a U.S. engine company gets a share of the work involved in supplying engines for the advanced version of the Harrier, the AV-8B, now being studied by the U.S. Navy and Marine Corps.

The U.S. Marines already have in service over 100 of the earlier version of the Harrier, the AV-8A, but both the Marines and the Navy are interested in the bigger, more powerful AV-8B, of which they may buy up to 340. This would create a demand for up to 450 engines, including spares.

Under U.S. defence procurement rules, however, there must be an American partner for any product bought from overseas.

British Aerospace, which builds the Harrier, has been cooperating with McDonnell

Douglas of St. Louis, Missouri for some time. The latter has already built a prototype AV-8B and is now flight-testing it ahead of a U.S. Government procurement decision.

Rolls-Royce has been working informally with Pratt and Whitney on the Pegasus engine. The AV-8B was built in the U.S. but the Pegasus 11, was UK produced.

The agreement between Rolls-Royce and Pratt and Whitney puts the private arrangement between the two companies onto a formal contractual basis.

It will enable Pratt and Whitney to start making parts for a batch of eight Pegasus 11 engines, so that the AV-8B test programme can continue.

Pratt and Whitney will make up to 25 per cent of the value of any engines ordered by the U.S. Government for the AV-8B, with Rolls-Royce making the rest. Pegasus engines for the RAF Harriers will continue to be made wholly by Rolls-Royce in the UK.

The new agreement also covers collaboration between Rolls-Royce and Pratt and Whitney on future Pegasus

development.

This includes work on engines for supersonic vertical take-off and landing aircraft, in particular a new technique called "plasma chamber burning" designed to get more power from the Pegasus by burning cold air in the forward swirling exhaust nozzle.

This technique, which would mean higher speeds for these craft, has not yet been incorporated on an engine in service.

The AV-8B Harrier is still the subject of considerable political debate on both sides of the Atlantic.

In the U.S., there have been difficulties getting Government approval for buying the aircraft in quantity. In the UK, the RAF has yet to decide whether to buy the AV-8B, and thus help promote the U.S. deal, or opt instead for a version with bigger wings to increase the payload.

The argument in favour of the AV-8B is that an RAF purchase together with a U.S. order would mean several hundred thousand in all, which if the RAF buys the "big wing" version, the U.S. will probably drop the AV-8B programme entirely.

## Swedish stevedores strike on

By William Duffell in Stockholm

A STRIKE by 2,500 stevedores hindered the resumption of work in most Swedish ports yesterday despite the end to the strikes and lock-outs which had paralysed trade and industry for 10 days. The rest of the country returned to work.

The stevedores' union is not a member of LO, the blue-collar union federation which negotiated the pay settlement signed on Sunday night which the employers' association.

The stevedores seek pay rises of SKr 10 (£1.04) an hour, or more than 30 per cent.

Ferries were operating again across the straits between Sweden and Denmark yesterday morning, and customs officials were handling road hauliers.

Airline traffic restarted from Stockholm's Arlanda Airport on Sunday evening.

Work resumed at most factories. The pulp and paper mills will need a day to get going again, while the three oil refineries, which were shut down, will need about a week.

As expected, the Government announced it was lifting its price freeze from Friday after the pay settlements had turned out to be higher than it had allowed for.

Sweden after the strike. Page 21

## Coal yield may have to treble

BY MARTIN DICKSON, ENERGY CORRESPONDENT

THE world may have to treble coal production over the next 20 years and increase international trade in coal by 500 per cent if it is to meet the growing demand for energy.

This is one conclusion of a report on coal industry prospects, published yesterday. It follows an 18-month inquiry by the World Coal Study, an 80-strong team from 16 major coal using and producing countries.

The authors believe that an expansion on this scale is possible. However, the report says: "A massive effort to expand facilities for the production, transport and use of coal is urgently required to provide for even moderate growth in the world between now and the year 2000. Without such increase in coal the outlook is bleak."

Limited oil supplies, slow nuclear expansion and a small contribution from alternative energies mean that coal will have to supply between half and two-thirds of the additional energy needed by the world during the next 20 years, even

under moderate growth assumptions.

The report estimates demand for coal growing from 2.5bn tonnes of coal equivalent (a million tonnes of coal equivalent, in other words, is a standard energy measure) in 1977 to 6.7bn tonnes by the year 2000 — an annual growth rate of 4 to 4.5 per cent.

International trade is projected to increase between three and fivefold, from around 200m tonnes now to between 560 and 980m tonnes in 2000.

An estimated 1,000 new bulk carriers, each of 100,000 tonnes, would be needed to carry this coal. The international trade in steam coal used to fire power stations and industrial boilers could rise from 60m tonnes in 1977 to 680m tonnes or more — an increase of more than tenfold.

The report says the U.S. has the greatest potential for expanding exports and could become the world's balancing supplier of steam coal in the 1980s.

Although the U.S. only

expects exports to rise from 40m tonnes in 1977 to 125-200m tonnes in 2000, it is capable of reaching 350m tonnes. Other leading exporters will be Australia, South Africa and Canada.

The study expresses "cautious optimism" that the energy gap can be bridged but emphasises that "the public and private enterprises concerned must act co-operatively and promptly if this is to be achieved."

Governments in particular need to provide the confidence and stability required for investment decisions.

A section on the British coal industry says the UK is unlikely to be an important element in the international market, remaining largely self-contained.

The study team was led by Professor Carroll Wilson of the Massachusetts Institute of Technology. British participants included Sir Derek Ezra, chairman of the National Coal Board, and representatives of Shell and BP.

Engineers to start on reactor. Page 9

## Chrysler to close two plants

BY IAN HARGREAVES IN WASHINGTON

CHRYSLER yesterday announced the closure of two plants in North America. It also warned that the company might close as many as three other plants in the near future.

The plant in St. Louis, Missouri, is to close in October and a plant in Ontario, Canada, which builds six-cylinder engines will close in August.

These closures will put another 2,500 Chrysler workers out of work. The company has 41,000 hourly-paid men—third of its workforce—indeinitely laid off. Many of these people have little chance of future employment with Chrysler.

The company said that it was continuing to look for economies in its operations in view of current market conditions. "It is quite possible that there could be other announcements."

months and will reduce to six its number of assembly plants. A number of these, however, face an uncertain future as Chrysler works towards its goal of becoming exclusively a builder of front-wheel-drive, mainly small cars after 1983.

This was the opening plan which formed the basis on which the Government Board overseeing Chrysler's affairs agreed on Saturday to authorise \$1.5bn in loan guarantees for the company.

The plan involves Chrysler concentrating its activities around two basic model lines, with the possibility of a third stretched version of one of the two basic models.

But the company wishes to keep its options open as long as possible on future closures and conversions in case the market becomes stronger than anticipated for the larger cars which Chrysler still turns out from two of its plants.

Yesterday's announcement also makes it clear why two of the regional governments from

which Chrysler expected to receive assistance backed off at the last minute. Missouri and Ontario had both demanded assurances about jobs in return for aid.

Although the small of the two closures in terms of jobs, the Ontario engine plant shutdown is interesting in that it forms part of Chrysler's recently avowed engine strategy.

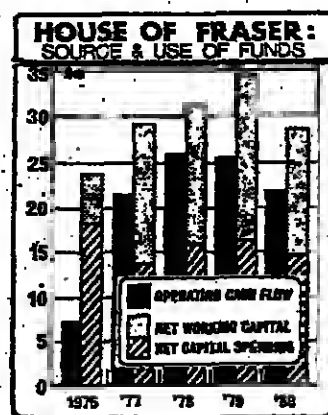
Chrysler is going out of six-cylinder engine production in effect to concentrate on four-cylinder units. In-house capacity, supplemented by imports, will give Chrysler access to 1m four-cylinder engines in the model year starting in October. The company also intends to go on building a small number of eight cylinder engines for a small output of luxury flagship cars Chrysler plans to launch in October.

The United Autoworkers Union has indicated that it does not intend to resist the Chrysler cuts, even though this will put still more jobs on the line.

### THE LEX COLUMN

## A big bite for Berisford

Index fell 2.3 to 434.2



Berisford's bid for British Sugar is audacious. It seems likely that it will be bitterly opposed, while after yesterday's share price movements British Sugar's capitalisation had risen to match Berisford's at £135m. The bid involves £51.7m of cash, which looks a lot considering that Berisford's last balance sheet contained overdrafts less cash of £128m, £28m more than tangible shareholders' funds.

It seems safe to assume, though, that Berisford's year-end balance sheet is unrepresentative — it shows stocks of £190m — and cash seems to be the least of its worries. This is all to the good since it may well have to pay more to win the institutions over.

At the moment neither company is rated very highly by the stock market — both made around 35m pre-tax last year, and neither pays much tax. The quality of Berisford's trading earnings is suspect, while British Sugar is a one-product business with undue exposure to the weather and the EEC. The combined businesses would perhaps be better regarded: Berisford would certainly like to have a physical stake in sugar, and it will try to argue (seductively, at a time when the world market sugar price is rising) that it can secure a better price for any surplus production by the British farmers. It also seems anxious to protect the role of the sugar merchant, which it sees as being under threat from British Sugar.

The success or failure of this bid may well depend on the attitude of the Government — and not just because there may be a referral to the Monopolies Commission on the grounds of excessive concentration; Berisford would just have to sit that out. The key is the Government's 24 per cent shareholding in British Sugar.

It does not seem to have tried to discourage Berisford from mounting a bid, and this in itself may imply tacit approval.

In its defence British Sugar can fairly claim that it is just reaching the point at which returns from its heavy capital investment programme are beginning to show, and it does have to raise its dividend further. It will try to portray Berisford as a pirate, but it is embarrassing that a pirate should strike in a year of earnings decline.

### BHS

The strong performance at British Home Stores in the first half has been maintained through the year and profits have emerged nearly 25 per cent ahead of £41.5m at the pre-tax level. Stripping out inflation and the VAT rise, volume in the non-food division, which represents four-fifths of turnover, has increased by more than 8 per cent. A little less than a third of this gain can be attributed to the opening of eight new stores, with the bulk of the remainder coming from the switch out of foods, where volume has fallen by about 6 per cent. The group's policy of moving up-market also seems to have made a contribution and this, together with the move

away from food, has allowed the group to maintain trading margins fully in spite of the VAT rise.

With the one-for-all benefit of the food switch in the past, the current year will be one of consolidation. Only a couple of store openings are planned, while after rising 204 per cent last year, the wages bill is set for a similar increase this year. Maintaining last year's capital spend of £35m means that the group could move into net debt of about £15m, producing an interest charge of more than £1m after last year's £46m pre-tax income. The share price rose 2p yesterday to 286p, for a 4 1/2 per cent yield and prospective p/e of above 14, fully-taxed.

### Unilever

Unilever seems to have had a fair first quarter. Allowing

Continued from Page 1

## Rail

nationwide Day of Action against the Government's policies. The poll demonstrated that 84 per cent of those interviewed said they intend to go to work tomorrow.

Mr. David Barnett, chairman of the TUC general committee, yesterday attacked the "inexcusable personal abuse" of Mr. Len Murray, TUC general secretary, who will today be returning from holiday in Madeira to take part in the Day of Action.

British Rail is urging passengers to check whether trains are running before attempting long journeys tomorrow. Recorded information will be available on the following numbers:

Midland Region: 01-246 8070, Southern Region: 01-246 8033, Western Region: 01-446 8085, Eastern Region: 01-246 8080.

Continued from Page 1

## Bank

Mr. Cooke adopted a highly conciliatory tone, some bankers left the meeting unsettled about how the scheme might work in practice. While the Bank of England now stresses that the provisions in the paper might not be drawn up as a set of strict rules, some bankers remain suspicious of the Bank's motives.

"If the Bank is setting up a very complex and costly mechanism to monitor banks' liquidity positions, nobody can be sure that it will not be actually used as a definite control. Once it has a gun in its holster it could draw it," commented one unhappy participant last night.

Yesterday's meeting was the first of a series which are expected to take place during the next few months on the liquidity paper, and other proposed regulations which the Bank has drawn up to carry out its supervisory obligations under the 1978 Banking Act.

It now seems clear that the liquidity paper will be re-drafted to meet some of the details of the bankers' objections once these meetings are completed.

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